

In Hungary, Strikers Find Their Aims Win An Official Blessing

By Henry Kamm
New York Times Service

BUDAPEST — Three times since the last week in August, the Hungarian press has carried unusual reports of brief strikes in a coal mine, a printing plant and an optical factory.

Even more surprisingly, the articles have indicated that the outcomes have favored the strikers.

In each, the national leadership, headed by Karoly Grosz, the Communist Party general secretary and prime minister, is said to have sided with the strikers and granted the essence of their demands for pay bonuses and the removal of unpopular managers.

"Yes, there were strikes in the past, not too often," said Peter Fahn, a senior official in the economics and standard-of-living department in the National Council of Trade Unions. They were not reported, he said, because officials strikes could not happen.

"We used to say in a socialist system there was no use in striking, because the means of production are socialist, and the workers would be acting against themselves," he said.

"Now we are thinking in terms of more modern forms of property collective, even private," he said. "The issue now is the division of labor. The unions now realize that attaining a stable economy cannot happen without resolving conflicts of interests. We want to be independent of the state and of the party, too."

In line with what is now publicly acknowledged, Mr. Fahn, who is a lawyer and an economist and has been a union official for a decade, admitted that the trade union council had served the interests of the state and the party more than those of the workers.

In fact, Sandor Gaspar, the union head until he was removed from the Pulbitro last May, when Mr. Grosz replaced Janos Kadar as

party chief, was counted as a stalwart of the Communist hard-liners.

"In the past, the trade unions were against strikes and did everything to stop them," he said. "When they happened, they weren't made public, and the unions pretended not to know about them."

"It is true," Mr. Fahn said emphatically when asked if this suggested that the unions did not serve the workers' interests. "For 35 years we said we did, but it wasn't true. We made believe our dreams and hopes had already come true."

With delight, the union official displayed the current cover of a liberal economic weekly that characterized the rethinking with the motto, "Play it again, Marx."

A new labor code is being drafted and is likely to be enacted by Parliament before the end of this year. Papasny Fluckne, a senior Justice Ministry official overseeing the drafting of the text, said it would formally establish the right to strike for the first time.

But she said she believed the right would be limited to the official unions. At least two independent unions of professionals and workers in the movie industry have been formed recently. In a separate interview, Mr. Fahn expressed the differing belief that independent unions would be granted recognition.

A feature of the law, Mrs. Fluckne said, would be that the right to call a strike would be granted not to union leaders but to the concerned workers, by majority vote. But, she added, a strike could only be called after negotiations had run their full course and no agreement had been reached.

Both officials, reminded of the experience of the Polish independent trade union Solidarity, affirmed that in no case would "political strikes" be allowed. They agreed that drawing the line between "economic" and "political" walkouts would be difficult.



The Solidarity leader, Lech Walesa, left, conferring with union leaders and advisers in Gdansk before his talks with the Polish authorities. Accompanying Mr. Walesa are, from left, Bronislaw Geremek, Tadeusz Mazowiecki and the Reverend Henryk Jankowski.

Calls to Legalize Solidarity Grow Louder

By Jackson Diehl
Washington Post Service

GDANSK, Poland — Preliminary negotiations between the government of General Wojciech Jaruzelski and the banned Solidarity trade union must provide assurances that the union will be legalized if the opposition is to participate in broader "roundtable" negotiations proposed by the government, union leaders said Sunday.

After a meeting in the Baltic port of Gdansk by 87 opposition activists and intellectuals from a range of groups, Solidarity leaders said they expected new discussions to be arranged soon involving the Solidarity leader, Lech Walesa, and Interior Minister Czeslaw Kiszczak that would focus on ways of restoring the movement's legal status.

A senior union strategist, Bronislaw Geremek, said the talks would be a "preliminary meeting" that should provide "the assurance of the intentions of the authorities on Solidarity." Solidarity, he added, was "not only the question number one, but everything else depends on it."

The union position, which was backed by a statement of the broader opposition group gathered in Gdansk, strengthened a demand made here Saturday by Solidarity's principal executive organization for a clear statement of the official position on legalization.

The development suggested that General Jaruzelski's ambitious plan for wide-ranging negotiations leading to a "council of national agreement" would not go forward unless his government could first break its seven-year impasse with the opposition over the issue of trade union pluralism.

During the last week, a series of official statements have appeared to rule out any acceptance by the party of Solidarity as a second trade union movement competing with existing, Communist-backed unions set up in 1982. Instead, party officials have suggested that the present trade unions could be improved while Solidarity's long-time activists could set up an association similar to lay church groups already in existence.

The clear rejection by the opposition of that modest plan during two days of meetings in Gdansk appeared to complete a process of polarization between Solidarity and the government over the trade union issue only 11 days after a landmark meeting between Mr. Kiszczak and Mr. Walesa ended with an agreement to begin negotiations.

At that session, Mr. Kiszczak

agreed that the legalization of Solidarity could be one topic of the proposed roundtable talks, while Mr. Walesa agreed to call for an end to two weeks of strikes without receiving any guarantee that Solidarity would be legalized.

Since then, both the party leadership and Mr. Walesa have come under strong pressure from within their organizations, and each side has clarified and toughened its position.

The authorities have yet to reply publicly to the Solidarity and opposition statements of the last two days. But a union adviser, Tadeusz Mazowiecki, said the Solidarity leadership was expecting to receive an answer from the government on Monday on when the new meeting could be held and who would participate in it. Solidarity hopes the session will be held in the coming week.

By Joseph Fitchett
International Herald Tribune

BRIGHTON, England — Defense experts meeting here Sunday criticized West European governments for failing to respond to Iraq's use of chemical weapons, despite evidence that Baghdad has used the weapons against its Kurdish minority after employing them against Iran in the Gulf war.

A European diplomat said that "European governments, including Britain, France and West Germany, are afraid of jeopardizing their economic interests in Iraq, so they are allowing it to flagrantly demolish the taboo on chemical war."

Karl Kaiser, head of a West German research institute, the German Foreign Policy Association, said that the absence of world con-

China Stops Rewards for Defectors

BEIJING (UPI) — China abolished on Sunday a 26-year policy of offering rewards to military defectors from Taiwan amid reports that the senior Chinese leader, Deng Xiaoping, is seeking new initiatives toward reunification with Taiwan.

The move was "aimed at creating a more peaceful environment for improving relations between the two sides," Xinhua quoted a People's Liberation Army official as saying. The system of rewards was introduced in 1962 and induced some Nationalist soldiers to defect, the official news agency said.

In recent weeks Mr. Deng has mobilized officials responsible for working on reunification with Taiwan, Chinese officials said. They said Mr. Deng had become increasingly impatient to end more than four decades of separate rule over the island. Taiwan has been ruled by the Kuomintang, or Nationalists, since 1949, when they fled the Communists on the mainland.

Stroessner Is Recovering, Aide Says

ASUNCION, Paraguay (AP) — President Alfredo Stroessner was released from hospital after an 11-day stay for a prostate operation, a senior aide said.

General Stroessner, who is 76, was recovering at home after his surgery Saturday, the aide said. Reports circulating in Argentina that the Paraguayan president had died were labeled "irresponsible" by the aide, who spoke on condition of anonymity.

Serbian Marchers Protest on Kosovo

BELGRADE (Reuters) — Tens of thousands of Yugoslavs denouncing alleged harassment of Serbs in the southern province of Kosovo have held new protest marches in Serbia, the news agency Tanjug reported.

Saturday's protests were the latest in a series staged by the Serbs, who say their compatriots are being terrorized in Kosovo by ethnic Albanians, who make up the majority in the province. The demonstrations were also supporting a drive by the head of the Serbian Communist Party, Slobodan Milosevic, to secure more control over his republic's two autonomous provinces, Kosovo and Vojvodina.

Tanjug said 20,000 Serbs and Montenegrins marched through the southern Serbian village of Lebane. A further 10,000 demonstrated in the nearby village of Medvedja. The agency also said that 800 lawyers from Belgrade, the capital of both Serbia and Yugoslavia, offered their services free to all Serbs and Montenegrins living in Kosovo who needed legal help.

UN Role in Occupied Lands Is Urged

NICOSIA (AP) — Foreign ministers of the Nonaligned Movement ended a conference Sunday with a call for the United Nations to assume "temporary supervision" of the Israeli-occupied lands to protect Palestinians.

The conference condemned South Africa for its "acts of genocide" against its black population and "policy of state terrorism." The ministers also expressed solidarity with Nicaragua, a member of the Nonaligned Movement, and demanded a halt to financing of the U.S.-backed Contras.

The conference, attended by 95 of the 101 members of the organization, ended with a decision to review the role of the movement and approved Yugoslavia to assume the leadership of the organization for the next three years.

Estonians Rally for Independence

MOSCOW (AP) — Hundreds of thousands of people gathered for the biggest political rally in Estonian history on Sunday. Speakers called for Soviet republic to become an independent state again, participants reported from the Estonian capital, Tallinn, where the rally took place.

Vaino Valjas, the Estonian Communist Party leader, was present. He did not speak, but a Central Committee plenum under his chairmanship on Friday and Saturday backed nationalist calls for Estonia to become the republic's official language and for Estonian citizenship to be introduced next year, said Tiit Made, an economist.

U.K. Unions See Merit In United EC Economy

By Craig R. Whitney
New York Times Service

LONDON — The battle lines have shifted in Britain's long internal struggle over its membership in the European Community.

The big labor unions, which have long been among the main skeptics about the benefits of belonging to the EC, are growing fonder of the concept of a united European economy since the community adopted a plan to eliminate the remaining barriers to trade, employment and the flow of capital among the 12 member states by the end of 1992.

A principal reason for this change of heart is that the British unions foresee labor regulations in the EC as a way to undercut any plans that Prime Minister Margaret Thatcher might have to reduce welfare, unemployment compensation and other benefits at home.

The implications of the new plan are not lost on business, either.

There are indications that at the annual conferences of the British political parties next month, the sharpest skepticism over what happens in 1992 will be heard from Mrs. Thatcher's Conservative Party, which put Britain into the EC over the Labor Party's objections on Jan. 1, 1973.

For most of the intervening years, the unions have not much liked the idea of an integrated Europe, since they have been powerful in Britain under the status quo.

Now the union leaders, divided and set upon by the Conservative government, see things differently.

The question, one of them joked at the Trades Union Conference meeting in Bournemouth last week, was no longer whether a common market was a good thing but "would it be open Saturday afternoon?"

The just was a way of acknowledging the considerable ignorance about what the changes foreseen by 1992 will actually mean.

The unions, which resolved at the conference to educate themselves on the subject, invited Jacques Delors, the president of the European Commission and a former leader of the French Socialist Party, to speak to them. They liked what they heard.

"Nineteen ninety-two is much more than the creation of an internal market abolishing barriers to the free movement of goods, services and investment," he told them.

"I propose establishment of a platform guaranteeing basic social rights, such as the right of every worker to be covered by a collective agreement and creation of a European company statute that will include the participation of European workers and their representatives." In West Germany, workers already sit on company boards.

If such a statute went into effect that did not harmonize or somehow reconcile existing country-by-country legislation, the European Commission's reasoning goes, companies in West Germany could escape provisions they did not like

For the Soviet Reader, a New Catch-22

By Bill Keller
New York Times Service

MOSCOW — The Soviet reader in the days of glasnost knows the frustration of Tantalus. The rich fruits of Moscow spring hang on the branches, many of them no longer forbidden but just out of reach.

The latest indignity was the announcement a few weeks ago that the Communications Ministry had placed limits on subscriptions to 42 magazines and newspapers, including the most popular purveyors of provocative thinking, sensational exposes and literature newly freed from the censor's vault.

The official explanation was a national shortage of paper, plausible enough in a country where toilet tissue is frequently in short supply. But official explanations do not go over so smoothly as they once did.

"Putting limits on subscriptions could easily be perceived as a victory for the so-called forces of stagnation, as a means for rolling back glasnost," Andrei Nemzer, a literary critic, wrote in the innovative magazine Ogonyok.

That colorful weekly, which is the first to disappear from the newsstands, has howled loudest about the subscription freeze.

Its editor, Vitali A. Korotich, said some readers slept overnight outside post offices Aug. 1 for the opening of the subscription season, only to be told that subscriptions to

Ogonyok, Novy Mir, Znamya — all the most daring publications — had been frozen at 1988 levels. Hundreds of letters and telegrams have poured in, pleading for exemptions.

Vladimir Lakshin wrote in Moscow News, another publication on the restricted list, that if the problem was a paper shortage, the state should divert paper from "propaganda sheets and pseudo-scientific works that no one needs."

Nowadays, the hottest items are used magazines — especially the "thick journals" like Novy Mir, Znamya and Druzhba Narodov, which serialize novels long before the archaic book-publishing industry gets them between hard covers. A dog-eared copy of the April 1985 issue of Druzhba Narodov containing Anatoli Rybakov's novel "Children of the Arbat" may sell for \$50.

By contrast, in a back room at Public Library No. 73, a shady 19th-century mansion on Suschchinskaya Street, Leonid L. Brezhnev and his contemporaries wait for the junkman.

The memoirs and speeches of the former leader are being thinned from library shelves where they have sat untouched, in multiple copies, to make way for the more candid and livelier literature of Mikhail S. Gorbachev's era.

"If it had been up to me, I'd have thrown

them out myself long ago," said Svetlana V. Rositkovskaya, the director of the library. The Culture Ministry recently extended to librarians the discretion to give dormant reading matter the heave-ho.

In a letter to the government newspaper Izvestia early this month, a librarian from the Crimea indignantly accused the ministry of having ordered a wholesale removal of pre-Gorbachev political literature.

Visits to several of Moscow's 421 neighborhood libraries the week after the letter was published found little evidence of such a purge. Only duplicate copies were being sent to warehouses and paper-recycling centers.

A reader intent on saving Mr. Brezhnev's ghostwritten account of how he stopped the Nazis in World War II or on poring over the speeches of Konstantin U. Chernenko will still find these works on the shelves — no waiting required.

On the other hand, the reader will not find many books published since Mr. Gorbachev came to power in 1985, a shortcoming that librarians said reflected the fact that book publishing had lagged behind demand.

As a result, the real action in local libraries is in the periodical reading rooms. Readers who once came in search of Dostoyevski or of a good detective novel now come to peruse the lovingly dog-eared issues of the likes of Ogonyok or Novy Mir.

By Joseph Fitchett
International Herald Tribune

BRIGHTON, England — Defense experts meeting here Sunday criticized West European governments for failing to respond to Iraq's use of chemical weapons, despite evidence that Baghdad has used the weapons against its Kurdish minority after employing them against Iran in the Gulf war.

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TRAVEL UPDATE

Bloomies to Add U.S. Airport Shops
NEW YORK (NYT) — Bloomingdale's said Sunday that it had agreed with Host International Inc. to expand the number of Bloomies Express shops in airports in the United States.

The shops sell apparel, gifts, home fashion products and travel necessities and are managed by Host International, a division of Marriott Corp.

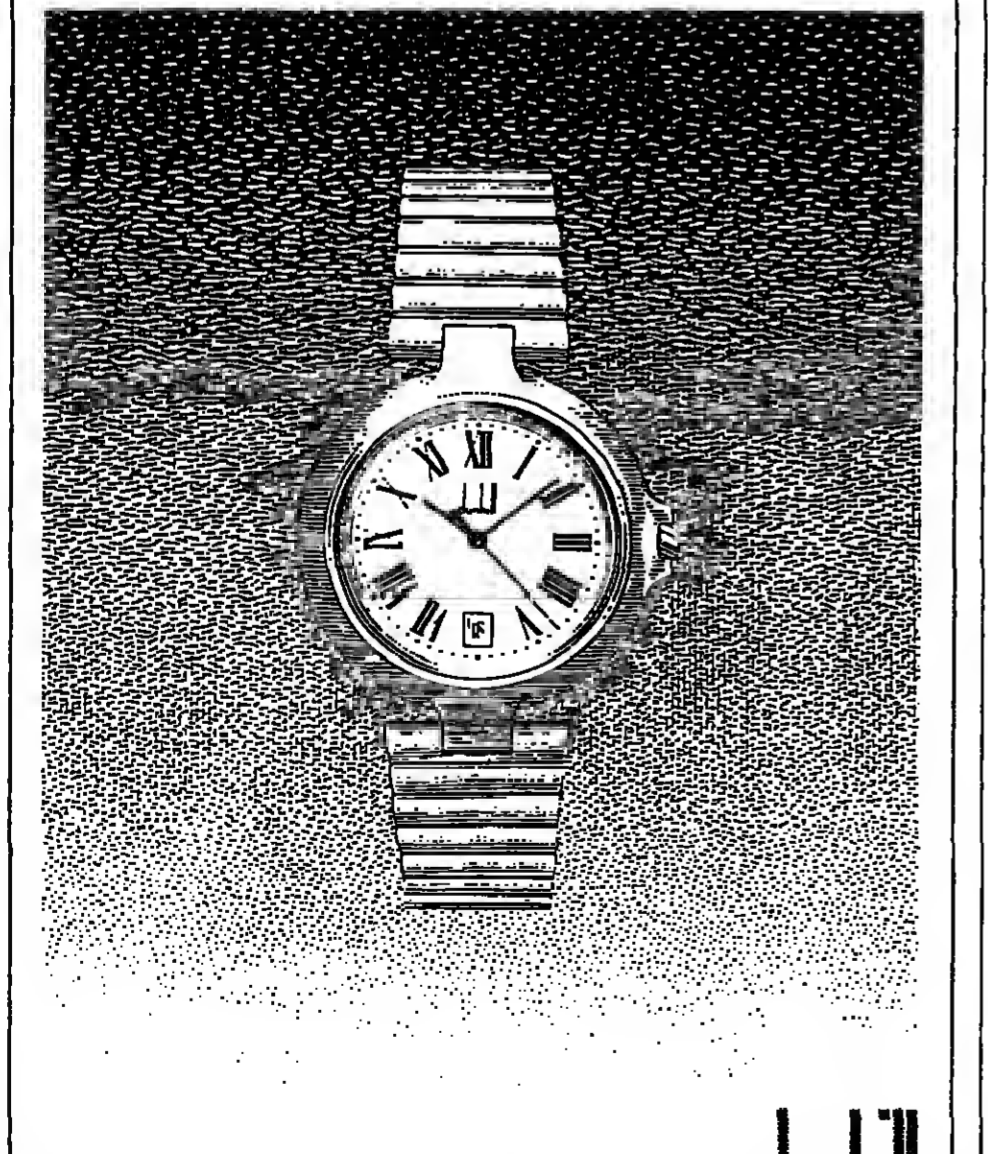
The agreement calls for five to seven shops to open the first year and 25 to 35 more in later years. Two Bloomies Express shops opened in 1986 at Kennedy International Airport in New York.

This Week's Holidays
Banking and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:

MONDAY: Belize, Ethiopia, Guinea-Bissau, Israel.
TUESDAY: Israel.
WEDNESDAY: Nicaragua.
THURSDAY: Costa Rica, El Salvador, Guatemala, Honduras, Japan, Mexico.
FRIDAY: Mexico, Papua New Guinea.
SATURDAY: Angola.
SUNDAY: Barotsi, Chile.

Source: Morgan Guaranty Trust Co., Reuters.

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U.S. and Its Allies Weigh Arab Role For Gulf Cleanup

Washington Post Service

PARIS — The United States and its European allies are discussing the creation of a coordinated naval force financed by Arab states that would clear the Gulf of mines and other debris from the war between Iran and Iraq, diplomats said.

The discussions, although only preliminary, reflect the expectation that a UN-sponsored cease-fire between Iran and Iraq that took effect Aug. 20 will lead to an end of the war. But the talks do not mean that the United States, Britain, France, the Netherlands, Belgium and Italy will pull out all their warships in the near future.

The discussions have largely focused on cooperative mine-clearing operations in and around the Shatt-al-Arab waterway, the diplomats said. The contested waterway forms the border between Iran and Iraq at the head of the Gulf and is Iraq's main outlet to the sea.

The mine-clearing operations would be carried out by or under the protection of U.S. and European vessels, the diplomats said. Arab states would finance the operations, thereby alleviating pressure on Western governments, particularly the United States, that have come under criticism for their spending on forces in the Gulf.

The cost of a clearing operation after the war is expected to be extremely high. Dozens of sunken ships litter the Gulf and Shatt-al-Arab, and a large number of mines are believed to have been planted by both sides.

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West Europe Chided on Iraq

By Joseph Fitchett
International Herald Tribune

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IRAQ: U.S. Bill Spurs Mass March

(Continued from page 1)

The protesters dispersed a few kilometers away.

Mr. Hussein said in a statement Sunday that the U.S. Senate was seeking "to divert the attention of the international media from the uprising in the occupied territories."

Palestinians in the West Bank and Gaza Strip have been rioting since Dec. 8 against Israeli military occupation.

Kurdish rebels say as many as 60,000 Iraqi troops attacked their northern mountain strongholds following an Aug. 20 cease-fire with Iran in the Gulf War.

One rebel group said 2,000 Kurdish civilians were killed and 5,000 wounded, many in chemical weapon attacks.

Mr. Hussein said, however, that Iraqi clashes with Kurdish "insurgents" lasted at most two days and that no major battles had occurred.

He said tens of thousands of Kurds who fled Iraq had been forced out by rebels.

Attacks Are 'Finished'
Clyde Haberman of The New York Times reported from Ankara: The Iraqi military campaign

2 East Germans Flee to West

The Associated Press

BERLIN — Two East German men fled to the West over the weekend, but three others were caught, the police in West Germany said Sunday.

Gains on the Right Free Bush to Court the Center

By E.J. Dionne Jr.
New York Times Service

WASHINGTON — Vice President George Bush, once viewed as dangerously "moderate" by the political right, has now won substantial credibility among conservatives and thus the leeway he may need to move to the political center to win the presidential election Nov. 8.

By satisfying the right so early, Mr. Bush has largely avoided the sniping from ardent conservatives that might distract him and draw media attention from the themes he wants to make central to his campaign.

In contrast, Governor Michael S. Dukakis, the Democratic nominee, has suffered just this kind of sniping at the other side of the political spectrum from the Reverend Jesse L. Jackson, his chief opponent in the primaries.

At the same time, Mr. Bush, having established his conservative credentials, has been able to reach out to the center on such issues as the environment and education.

Mr. Bush has now begun the delicate task of trying to maintain support from opponents of abortion while appearing unthreatening to voters who are ambivalent or favor legal abortion.

Mr. Bush has moved on several fronts to satisfy the right. He sent conservatives a powerful message by choosing Senator Dan Quayle of Indiana, one of their own, as his running mate.

Mr. Bush was then also helped mightily by press inquiries into Mr. Quayle's past, said Representative Vin Weber, a Minnesota Republican, a leading conservative.

John Buckley, a former aide to Representative Jack F. Kemp of New York and to the Reagan 1984 campaign, said Mr. Bush's move was the necessary strategy for any conservative politician.

Mr. Buckley said the ideal political posture for a Republican candidate is to be seen as an ally of the anti-abortion movement but also as "tolerant" of the views of others.

Conservative Republicans are pleased, and a bit surprised, that Mr. Bush has won himself such credibility with the right and thus such room for flexibility. While Mr. Bush was bound to win conservative votes, it was not at all clear that he would win conservative hearts to the extent that he has.

"The key to being a coalition builder is to give one group at the table what they need so you can turn to another group at the table and give them what they need, too," said Representative Newt Gingrich, a Georgia Republican. "That's exactly what Bush has done."

Burton Yale Pines, senior vice president of the Heritage Foundation, a conservative research organization in Washington, agreed. "He's bought himself a lot of room for maneuver," Mr. Pines said.

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Finally, conservatives are pleased about how much their themes have become central part to Mr. Bush's campaign.

The vice president's absolute opposition to tax increases and his assaults on Mr. Dukakis on such issues as the national defense, the Pledge of Allegiance to the flag and furloughs for prisoners, Mr. Gingrich said, "do double duty."

These issues attract working-class and lower-middle-class voters who might vote for either party, and they also entice active conservatives.

"Conservatives say the Bush people are pragmatists, and that's true," Mr. Gingrich said. "They're so pragmatic that if running an ideological campaign is what they need to do to win, they'll do it."

But Mr. Bush's overall strategy has another side to it, which involves neutralizing issues that once seemed like winners for the Democrats, notably education, the environment and day care.

Having satisfied conservatives, Mr. Gingrich said, Mr. Bush has been able to strike a moderate-looking stance on these questions.

Mr. Bush has even been able to talk about building "a kinder, gentler nation," words that once seemed like winners for the Democrats, notably education, the environment and day care.

Mr. Bush has explored the center ground on other issues, notably by saying last week that he supported an increase in the minimum wage. And sides said he was also considering a proposal to encourage employers to give leave to parents after the birth of a child.

"What he's doing is stealing the middle class-upper middle class laundry list from the Democrats," said Kevin Phillips, a Republican voting analyst.

Mr. Phillips said he was surprised that conservatives had given Mr. Bush as much room for maneuver as they have.

"They can be had for the price of an ideological baloney sandwich," Mr. Phillips said, "which is exactly what Dan Quayle is."

Some conservatives warn that their price is higher than that. They say that while Mr. Bush has room to maneuver on some issues, there are certain red lines that he cannot cross.

Already there are rumblings on the night over a new speaker: Henry A. Kissinger, the former secretary of state.

When Mr. Bush's aides told conservative leaders that the vice president was planning to name Mr. Kissinger as a member of a campaign advisory committee on national security, some conservatives became apoplectic. They see Mr. Kissinger as the architect of the policy of détente with the Soviet Union and of arms control agreements they opposed.

Mr. Bush also alarmed conservative leaders when he spoke in an interview with The New York Times of how expensive the proposed space-based defense against missiles would be and mentioned that members of Congress had suggested "partial deployment," as opposed to full deployment, of the system.

Conservatives, who strongly support full deployment of the system, flooded the campaign with expressions of concern. Mr. Bush issued statements assuring conservatives that he was in fact for full deployment and sent emissaries carrying the same message.

NEWS ANALYSIS

Dukakis Strikes Back At Bush on Patriotism

By Edward Walsh
Washington Post Service

BOSTON — Governor Michael S. Dukakis of Massachusetts has responded sharply to what he called attacks on his patriotism by Vice President George Bush, and has accused him of tolerating "divided loyalties" among some of his advisers.

On Friday, Mr. Dukakis accused Mr. Bush of emulating the tactics made infamous in the 1950s by Senator Joseph R. McCarthy, a Republican of Wisconsin.

At a news conference in Boston on Saturday, Mr. Dukakis distributed copies of a 1985 memorandum from a political consulting firm in Washington that has links to the Bush campaign.

The memorandum proposed a lobbying program for the government of the Bahamas, some of whose members are under investigation for drug-trafficking.

At that time, Lee Atwater, Mr. Bush's campaign manager, was a partner in the consulting firm Black, Manafort & Stone.

The memo extolled the firm's "back channel" contacts and its ability to push "certain buttons" in the Reagan administration.

Mr. Dukakis called the memo "very disturbing." He added: "I think the American people have a right to know the back door of the White House will not be the front door for paid agents of foreign governments. In the Dukakis White House, there will be no back door for foreign lobbyists."

"In the Dukakis White House, the staff will pledge allegiance to only one flag — Old Glory."

Mr. Dukakis's remarks were an example of his new aggressiveness.

On Friday, in Commerce, Texas, Mr. Dukakis portrayed himself as the champion of "the real people" in a speech at East Texas State University, the alma mater of San Rayburn, who was speaker of the House from 1940 to 1957.

THE HUSTINGS

Bush Aide Linked to Jewish Census

WASHINGTON (WP) — Frederic W. Malek, chosen recently by Vice President George Bush as deputy chairman of the Republican National Committee, compiled figures in 1971 on the number of Jews among top officials of the Bureau of Labor Statistics. Notes taken by White House aides at the time say that President Richard Nixon ordered the investigation, asserting that there was a "Jewish cabal" at the agency.

Mr. Malek was Mr. Nixon's White House personnel chief and had been assigned to evaluate the Bureau of Labor Statistics staff. According to the notes, which reporters found last week in the archives of Mr. Nixon's presidency, Mr. Malek reported to H.R. Haldeman, then Mr. Nixon's chief of staff, that 13 of 35 top officials at the bureau were Jewish.

Less than two months after Mr. Malek's memo, two senior Jewish officials at the agency were shifted to less visible positions: Peter Henle, chief economist for the bureau, and Harold Goldstein, the director of current employment analysis.

Mr. Malek said Friday that he had gathered the statistics. But he said, "In no way did I take part in moving anyone out of the BLS."

Dukakis Student-Loan Plan Assailed

NEW YORK (NYT) — Officials in the Department of Education have criticized the college-loan proposal by Governor Michael S. Dukakis, saying that the loan repayment plan would make graduates in high-paying careers subsidize the loans of those in low-paying ones.

In a speech Wednesday at Kean College in Union, New Jersey, Mr. Dukakis, the Democratic presidential nominee, proposed that students be allowed to repay their college loans by having a percentage of their income withheld from their paychecks for as long as they worked.

"In the Dukakis program virtually nobody pays his own amount of principal and interest," Bruce M. Carnes, deputy undersecretary of education, said Thursday. "Those earning below the median pay less than their principal and interest, and those above the median pay the principal and interest on their loans plus those of other loans."

He predicted that the program would collapse because students who expected to earn large salaries would have little incentive to participate.

To dispel the perception that Senator Dan Quayle is a man of great wealth, his campaign has released an accounting firm's statement that lists his net worth as \$859,700. The campaign also made public income tax returns of the Republican vice presidential nominee dating to 1978.

They show that the bulk of his income came from his Senate salary, with very little from his family's newspaper empire.

Jury Awards \$8.75 Million In IUD Suit

By Julia Flynn Siler
New York Times Service

CHICAGO — A federal jury has found G.D. Searle & Co. negligent in the testing and marketing of its Copper-7 intrauterine birth control device, and it awarded \$8.75 million in damages to the plaintiff in the case.

The verdict, which Searle plans to appeal, opens the company and its corporate parent, Monsanto Co., to a flood of additional lawsuits and to a huge financial liability, legal experts said.

These experts are already comparing the case to the Dalkon Shield litigation, which led A.H. Robins Co. to seek bankruptcy protection.

After 10 days of deliberation, the federal jury of five women and three men in St. Paul, Minnesota, found on Friday that Searle had been negligent in the testing of its Copper-7, and in its failure to warn the plaintiff, Esther R. Kocicemba, and her doctor of its potential to cause infection and infertility.

The jury also found that Mrs. Kocicemba's inability to bear children was a direct result of the company's negligence. It also concluded that Searle had intentionally misrepresented the safety of the device.

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AGA Group Interim Report 1988

Six months ended June 30, 1988

Consolidated Income Statement, SEK m (unaudited)	Jan-June 1988	Jan-June 1987	Full Year 1987
Sales	4,643	5,061	10,591
Operating expenses, etc.	-3,691	-4,209	-8,840
Normal depreciation	-332	-317	-636
Operating income	620	535	1,115
Dividends, etc.	18	7	25
Interest earnings	171	174	379
Interest expenses	-219	-222	-465
Exchange rate adjustment	-53	-11	-40
Income after financial items	537	483	1,014
Nonrecurring items incl. income from sale of investment shares	-31	54	-176
Income before year-end provisions and tax	506	537	838
Minority interest	-2	-6	-12
Year-end provisions	-156	-133	-176
Tax	-114	-106	-204
Consolidated net income	234	292	446

The AGA Group reports operating income of SEK 620 m and income, after financial items, of SEK 537 million for the first six months of 1988. During the last half of 1987, Group operations expanded through the acquisition of companies, mainly the French gas company, Dufour et Igon, and Frigofresh in Great Britain. Effective January 1, 1988, AGA sold its Tool Steel operations, which during the first half of 1987 had sales of SEK 1,087 m and operating income of SEK 52 million.

During the first six months of the year, the Group invested SEK 638 m (776) in land, buildings and machinery, of which SEK 536 m (619) was for projects in Gas operations. The largest ongoing projects involve air gas separation plants in Finland, Brazil and Venezuela. In France, AGA acquired a gas company, Liquefaction de l'Air S.A., which had sales of SEK 75 m in 1987. The company will be consolidated as an AGA subsidiary as of July 1, 1988.

The Group's liquid assets and investments increased by SEK 718 m to SEK 3,269 m during the first half of 1988. Group loans increased by SEK 245 m to SEK 4,682 m.

Gas operations reported a 21-percent sales increase, of which 9 percentage units are contributions from new companies. Operating income improved by 42 percent, including 8 percent from the new companies. Most of the gas companies had positive trends and improved margins.

Frigoscandia's invoiced sales increased 13 percent, of which 3 percentage units are from the new company, Frigofresh, consolidated from mid-year 1987. Operating income fell to SEK 38 m (48), due, in part, to the fact that vegetable processing operations at Frigofresh normally show a loss during the first half year.

Energy operations reported lower sales and operating income compared with 1987, due partly to the mild winter.

Operations, SEK m	Jan-June 1988	Jan-June 1987	Full Year 1987
Gas Sales	3,248	2,680	5,718
Operating income	534	376	806
Frigoscandia Sales	839	741	1,698
Operating income	38	48	151
Energy Sales	558	573	1,097
Operating income	48	61	99

Forecast
The favorable trend of operating income of the Gas operations is expected to continue. Also Frigoscandia is anticipated to exceed its 1987 income level, since the processing of vegetables is expected to contribute favorably to results during the second half of the year. Energy operations are expected to report lower income than in 1987, which was a very strong year.

Overall, the Group expects full year income, after financial items, to increase by at least the same rate as during the first half of 1988.

Parent Company
The Parent Company, AGA AB, reported sales of SEK 524 m (490) and income of SEK 132 m (279), before provisions and tax, for the first six months of 1988. The decline in income is due mainly to extraordinary revenues and early payment of dividends from certain subsidiaries in 1987.

During the first half year, the Parent Company invested SEK 63 m (102) in land, buildings and machinery. Liquid assets and investments rose by SEK 269 m to SEK 2,118 m. External loans increased by SEK 111 m to SEK 2,581 m.

During the first six months, the number of shares increased by 12,124 to 47,279,393 through conversions. AGA intends to offer employees in Sweden and members of the foreign subsidiaries' management the opportunity of subscribing for convertibles and warrants, respectively. The conditions and scope of the offer will be confirmed at a Special General Meeting planned to be held on October 21, 1988.



AMERICA, AMERICA — Bobette Wildcat, a Shoshone, valed to acknowledge her election as the 1988 Miss Indian America at United Tribes Technical College International Powwow in Bismarck, North Dakota. The new Miss America, Gretchen Carlson of Anoka, Minnesota, broke up briefly after hearing of her victory at the pageant in Atlantic City, New Jersey.

AMERICAN TOPICS

Reagan White House Had Costly Makeover

The Reagan administration has spent at least \$44.6 million improving the White House and its grounds and buildings in the past eight years in a wave of construction and repairs not seen since the Truman administration four decades ago, The Washington Post reports.

From the \$6.9 million transformation of once-busy East Executive Avenue into a pedestrian park to the \$69,300 rehabilitation of the soil around the South Fountain, the Reagan years have been a period of nearly constant construction.

"There was no work done in the Carter years," said a former White House official, John F.W. Rogers. "They were postponing everything."

"This particular family has been more willing to put up with the aggravation of construction and renovation," said James McDermid, assistant regional director of the National Park Service.

The full cost of the renovation is hidden in the labyrinth of the congressional appropriations process. The Post said the \$44.6 million figure was pieced together from Freedom of Information Act requests and interviews, and could represent only part of the cost.

At the White House, the removal of 32 layers of white paint and the repair of carvings on the exterior walls cost \$2.4 million. The largest single expense was the \$9,472,100 renovation of Blair House, the president's guest house across the street from the Executive Mansion.

Short Takes

Food donated from U.S. agricultural surpluses has decreased the nutritional value of the federal school lunch program, according to the Public Voice for Food and Health Policy, a consumer advocacy group. It said many schools had pumped up their menus with high-fat commodities from federal stocks of surplus butter, cheese, eggs and processed food, cutting food costs but dietary value as well. "The program is run more as an agricultural support program than an nutritional program," said Ellen Haas, executive director of Public Voice. The U.S. Department of Agriculture said in a statement, "It would be irresponsible for the USDA to allow these foods, once purchased by the government, to go unused."

Several New York state troopers trailed their squad cars for beach chairs to catch speeders with radar during the Labor Day weekend. "It's not just that the cars are hot to sit in all day," said a spokesman. "You're coming down the highway and you see some guy sitting in a beach chair with a cooler at his side. It doesn't occur to you that he's going to pull you off the road."

American used less fresh water in 1985 than in 1980 because it is getting scarcer and therefore more costly, the U.S. Geological Survey says. This reversed a trend in which water use had doubled over 35 years. Per capita consumption for all uses — agricultural, industrial, governmental and private — was 1,400 gallons (5,280 liters) a day, down from 1,600 gallons in 1980.

Notes About People

Jelly beans will remain a staple at Cabinet meetings if the Republican presidential candidate, George Bush, is elected, according to Peter Cain, a spokesman for Jelly Bellies, the multifavored jelly beans favored by President Ronald Reagan. "George Bush loves Jelly Bellies," Mr. Cain said. And if Michael S. Dukakis is elected? A Dukakis spokesman said the Democratic candidate "is not a candy person."

Fellow Democratic legislators helped Representative Claude Pepper of Florida celebrate his 88th birthday in the Capitol, and Mr. Dukakis telephoned best wishes. Mr. Pepper said he would start thinking about retirement "about the year 2000." Jim Wright of Texas, the speaker of the House of Representatives, said that Ponce de León, the 16th-century Spanish explorer, "came to Florida looking for the fountain of youth, and Claude found it."

Arthur Higbee

Consolidated Balance Sheet, SEK m (unaudited)	1988		1987 excl. Tool steel
	June 30, 1988	Dec 31, 1987	
Assets			
Liquid funds and investments	3,269	2,551	3,019
Accounts receivable, trade	1,523	1,889	1,455
Other current receivables, etc.	365	503	411
Inventories	670	1,215	609
Total current assets	5,827	6,158	5,494
Long-term receivables incl. blocked accounts	421	356	318
Shares, etc.	640	654	545
Land, buildings, machinery	7,538	7,749	7,381
Total fixed assets	8,599	8,759	8,244
Total assets	14,426	14,917	13,738
Liabilities and shareholders' equity			
Short-term loans	2,151	3,044	2,737
Other current liabilities, etc.	1,913	2,393	2,024
Total current liabilities	4,064	5,437	4,761
Long-term loans (non-convertible)	2,708	1,569	1,403
Other long-term liabilities	1,611	1,904	1,577
Total long-term liabilities	4,319	3,473	2,980
Convertible loans	3	4	4
Minority interest	87	165	155
Untaxed reserves	2,253	2,141	2,141
Share capital	1,182	1,182	1,182
Legal reserves and free reserves	2,284	2,069	2,069
Consolidated net income	234	446	446
Total shareholders' equity	3,700	3,697	3,697
Total liabilities and shareholders' equity	14,426	14,917	13,738

Lidingöe Sweden, August 26, 1988

Marcus Storch
President

AGA Aktiebolag, S-16181 Lidingöe, Sweden.
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Pope, in Zimbabwe, Praises Mugabe

By Robert Suro
New York Times Service

HARARE, Zimbabwe — President Robert Mugabe, a self-proclaimed Marxist and former guerrilla leader, has a new and somewhat unlikely friend in Pope John Paul II. Over the past two days, the pope has repeatedly said Zimbabwe could become a model for Africa, and he has generously praised Mr. Mugabe.

Other world leaders with beliefs and backgrounds similar to those of Mr. Mugabe have been given cold, critical treatment during papal visits to their countries. But senior Vatican officials said the pope decided that in Zimbabwe he would accentuate the positive more than usual.

"President Mugabe is unlike some other Third World leaders," said an official. "He has applied his ideological principles without generating trauma."

"There have been no large-scale expropriations of private property because he is too pragmatic to try to impose socialism," the official said.

Addressing an assembly on Sunday at Sacred Heart Cathedral in Harare, Pope John Paul II said he prayed that Zimbabwe "will be an example and a positive influence on others in the urgent task of establishing a civilization of peace and justice."

While holding up Zimbabwe as an example for other countries, the pope has not mentioned that Mr. Mugabe runs a one-party state. The pope also has refrained from appealing for political pluralism.

Zimbabwe is the first country the pope has visited on a five-nation, 10-day tour of southern Africa, a region he has characterized as tortured by tribal, ideological and international conflicts. He will not visit South Africa, but he has voiced strong concerns about the South African system of racial segregation and the country's aggressive policies in the region.

In light of the regional troubles, the pope has focused on two aspects of Mr. Mugabe's policies as lessons for others.

First, he has noted that the Roman Catholic Church, whose followers account for less than 9 percent of the population in Zimbabwe, is given ample freedom. Mr. Mugabe, who was educated by missionaries as a child, has noted that the church makes valuable contributions to national development through its schools and hospitals.

The second policy recognized by the pope — and the one that has received most of his praise — is the effort to establish national reconciliation, which was started follow-

ing the bloody war that brought Zimbabwe independence under black rule in 1980.

Under the reconciliation program, the small white population was assured participation in the government, and racial tensions have been limited. But Mr. Mugabe's peacemaking efforts have been less successful with his black opponents. In 1983, the church denounced brutality by the army and insurgents who clashed in Matabeleland.

The most recent reconciliation effort involved the absorption of rival forces led by Joshua Nkomo into Mr. Mugabe's party, the Zimbabwe African National Union.

When the pope arrived in Harare on Saturday, he said that the reconciliation program had made Zimbabwe "a nation to which the whole of Africa, and indeed the world, looks for a sign that a better future can be built on the basis of justice and brotherhood under God, without discrimination."

Addressing himself to Mr. Mugabe, who was at the airport to greet the pope, the pontiff said, "I assure you of my prayerful support and encouragement," in carrying out reconciliation.

The pope's warm words suited the season in Zimbabwe in several ways. With the onset of spring in the Southern Hemisphere, the jacaranda, bougainvillea and many other plants are flowering in Harare.

It is also a time of hope, because violence caused by tribal and political rivalries appears to have ended after an amnesty was declared for political dissidents earlier this year.

Surrounded by turmoil beyond its borders, Zimbabwe seems prepared to enjoy its moment of tranquility, as well as the encouragement it has received from the pope.



Pope John Paul II blessing African women on Sunday during a mass in Harare, Zimbabwe, that was attended by 150,000 people.

KAUNDA: African 'Big Men' Wed Tribal Authority and National Power

(Continued from page 1)

independence, only four civilian leaders in the 47 black-ruled countries of sub-Saharan Africa have voluntarily chosen to retire. With the exception of two leaders in Mauritius, a small island nation in the Indian Ocean, not one African leader has permitted voters to end his reign.

Kenneth David Kaunda, 64, is probably the most charming, likable and articulate Big Man in Africa.

He is unique among African leaders in receiving a steady stream of foreign journalists and granting long, unstructured interviews. He seems to relish conversation and does not shirk from pointed questions, political or personal. Last year he acknowledged that one of his sons had died of AIDS.

Explaining in a recent interview why he makes himself available to the press, he said, "I want to hear whether what I am doing is getting through."

He does not drink, smoke or eat red meat. He laces his speeches with quotes from the Bible and refers constantly in conversation to his "philosophy of humanism," a mélange of Christianity and socialism.

When he was teaching school in the early 1950s, he began reading leftist political tracts published in England. The colonial police sentenced him to two months in jail for owning a socialist pamphlet. His first trip to Europe in 1957 was paid for by Britain's Labor Party.

In the 24 years that Mr. Kaunda has been in power, a reign that began after he led the independence movement that transformed Northern Rhodesia into Zambia in 1964, his personal life has remained remarkably consistent with his rhetoric.

He works long hours and, unlike many African leaders, has not used the power of the state to make himself fabulously rich. He has opposed white minority rule with more vigor than any leader on the continent, supporting guerrilla groups fighting in Portuguese-ruled Mozambique, in Ian Smith's Rhodesia and now in South Africa.

That support has led the Zambian economy and continues to subject the country to commando attacks.

Mr. Kaunda's personality and his principles have been well received internationally. He is chairman of the so-called frontline states, a group of black-ruled countries close to South Africa, and he has twice been elected chairman of the Organization of African Unity. He has helped mediate the end to several civil wars in Africa, most recently in Chad.

He also has been, until recently, a favorite of European politicians, who fancied his socialism and law-abiding aid money on his government. Until two years ago Zambia was one of the world's largest per capita recipients of foreign aid.

For all his humanitarian principles and his status as a senior statesman, Mr. Kaunda has presided

over the economic disintegration of his country.

Zambia has tumbled in 20 years from being one of black Africa's richest and fastest growing countries to being an economic invalid. Per capita income has fallen 30 percent in 12 years. There are chronic shortages of staple foods and essential spare parts. The rate of child death from malnutrition has doubled in a decade.

Mr. Kaunda has often said that his country was born "with a copper spoon in its mouth." In the first decade after independence, high copper prices fueled an economic growth rate of about 13 percent a year, and Zambia was awash in prosperity.

His treasury full of copper revenue, Mr. Kaunda spent the money as fast as it came in. He built schools, hospitals and roads. He subsidized health care, higher education and the price of food.

Jobs in the booming copper industry were to be had in the Copper Belt cities of northern Zambia; jobs in Mr. Kaunda's growing bureaucracy were to be had in the capital, Lusaka. The income gap between town and country grew to 15 to 1. (The gap is now 25 to 1, largely because urban income has fallen so sharply in the last decade.)

It did not take long before half the population had moved to town, and Zambia became the most urban country in Africa. The depopulated and neglected farm sector, the traditional base of Zambian society and the economic heart of Africa, could not feed the cities, and so food was imported. It was paid for, like the rest of the Kaunda humanitarian society, with copper money.

"Money has been spent hand-

out tens of thousands of jobs, judiciously spreading them among the tribes and members of the ruling party that he controls."

"All the nationalized companies went into the red," said a European diplomat in Lusaka. "But as long as there was money, it was O.K."

The money, from copper and loans, did not last, of course.

And Mr. Kaunda's humanistic society has been imploding for several years. A recent report by the British aid agency Oxfam says that per capita government spending on education has fallen 62 percent in a decade, while spending on essential drugs has declined 75 percent in four years. There is almost no money to maintain roads, hospitals or schools. Mass transportation hardly exists.

Most Western donors believe that Mr. Kaunda, despite his personal charm and senior statesman status, is in deep trouble as a leader. They see him as a hostage to a restive tribal population accustomed to a standard of living that Zambia cannot afford.

"He has no understanding of economics, and economics is the future of his country," a Western diplomat said recently, voicing the lament of economists and bankers interviewed in Zambia over the last three years. "He has driven his country beyond the point where an easy, smooth solution is possible. The government is between burning and hanging. Tens of thousands of people have to lose their jobs, but if that happens, there will be fires in the cities."

TOMORROW: The Reign of Malawi's Hastings Banda

BURMA: Elections Pledged but Protests to Continue

(Continued from page 1)

expecting the government to take effective action.

"I therefore warn those responsible for the lawlessness to cease such activities," he said.

In some areas of Burma, he said, students and Buddhist monks were setting up rival local governments, creating "a grave and dangerous situation for those responsible."

"It is essential to remove them immediately," he said.

He called on demonstrators to get back to work and on civil servants to reactivate the stalled machinery of government. In addition, he attacked the formation on Friday of a rival government by U Nu, a former prime minister.

U Maung Maung said the decision to call multiparty elections was "a milestone in Burmese history."

"It will be evident in 20 years' time whether the decision was correct or not," he told the 489-member legislature.

U Maung Maung urged Burma's

22 million voters to "use their potent weapon — the vote — to choose the right representatives."

The Western-trained lawyer and author, the country's first civilian leader in 26 years, said that he would not run and that the powerful military would "not lobby for any party."

In recent weeks, the government has made several concessions.

General Ne Win resigned as head of the ruling party in July, citing widespread street protests in March and June as a factor.

When U Sein Lwin, a hard-liner widely hated for his brutal suppression of dissidents, was chosen to succeed him, riots erupted. Troops killed 112 protesters, the government said, but Western diplomats said the number was much higher.

U Sein Lwin resigned Aug. 12 after 17 days in power, and U Maung Maung was named to replace him. Martial law was lifted, and activities that before would have drawn prison terms or worse were allowed.

(Continued from page 1)

countries, we could react as a larger group.

Q. Has Western Europe been too slow to seize trade, investment and other opportunities to secure a substantial stake in future growth of East Asia?

A. European nations have not been as quick to participate in the rapid growth of the region as the U.S. and Japan. They have focused their attention and concentrated their efforts on their traditional areas of special interest, such as Africa and Latin America. However, some European countries, like West Germany, Britain and France, in that order, are making up the leeway the U.S. and Japan have gained on them.

Q. Since the end of World War II, the U.S. has provided the key element in the balance of military and economic power in Asia and the Pacific. As America's relative power declines, how do you expect to see Japan, China and the Soviet Union react?

A. The decline in America's military and economic power, as of

LEE: Asian Cooperation Would Counter Protectionism

(Continued from page 1)

now, is only relative and still slight. So it has not yet been felt by the countries of the region.

On the other hand, the Soviet Union has been building up its strength since the early 1970s and has become a more dominant power, especially since it acquired bases in Cam Ranh Bay in Vietnam. The Japanese have greatly increased their defense expenditures. China is seeking to reduce tension with the Soviet Union to concentrate on modernization. But over the longer term, both Japan and China will probably raise their defense spending to try to make up for the relative decline in America's military capabilities in the western Pacific.

Q. Wouldn't increased expenditures on defense by Japan and China extend their ability to project military power?

A. Japan would be very careful to avoid that because she would not want to arouse all those latent fears of the old Japan. In 20 years, I think China will be able to project her naval and air forces beyond her immediate coast or borders.

Q. How would countries in Southeast Asia react to that?

A. It depends on how strong is the American presence. If the U.S. can counterbalance both China and the Soviet Union, we would not be too fussed. If the American presence is insufficient, and has to depend on the Chinese to help balance the Soviets, that is a different proposition.

Q. What would be the main consequences for countries in East Asia and the Western Pacific if U.S. forces lost access to bases and other military facilities in the Philippines?

A. The U.S. would have to find alternative bases in the region to enable her military units to react to Soviet forces in Cam Ranh Bay as effectively as they can react from Subic Bay and Clark airfield [in the Philippines]. If American bases have to be re-sited back to the Marianas [an island chain about 2,200 kilometers (1,400 miles) east of the Philippines], then either more U.S. forces would have to be committed to make up for increased sitting and flying time, or forward deployment of fighting units, based in the Marianas, would have to be arranged with countries nearer to Southeast Asia react to that?

leadership qualities to be president. "I'm not sure about him," said Aubrey Montgomery, 40, a Waco, Texas, home remodeler. "He's more of a follower. I get the strange feeling that if he were president, Reagan would still be calling the shots."

Mr. Bush does get credit for his experience, but he created serious doubts about his judgment — even among his supporters — when he selected Senator Dan Quayle of Indiana to be his running mate. The choice left many voters confused, worried and incredulous.

For a few, the issue is Mr. Quayle's National Guard service; for many more, it is his lack of apparent qualification to be president. And the more profound issue is how Mr. Bush could have selected him.

"This was one of his main jobs, and he had time to think about it," said Donna Freiner, a medical receptionist from St. Louis. "I think he blew it."

The evident lack of enthusiasm for either candidate suggests that if Mr. Bush or Mr. Dukakis musters a show of strength at the other's expense in the coming weeks — particularly in the two scheduled television debates — he could move millions of votes in a matter of days. This is an electorate still waiting to be captured.

One of the strongest findings from the interviews across the country is that Mr. Dukakis begins the last two months of the presidential campaign in a dangerous position: Many voters either have no clear image of him, or their views have been influenced by Mr. Bush's negative portrayal of the Democratic Party.

In Akron, for example, two vot-

ers leaning toward Mr. Dukakis, Ilene Shapiro and Harold J. Jones, complained that no presidential candidate had addressed the problem of health insurance for welfare mothers seeking to go to work and the more general need to make sure that everyone got adequate medical care.

"Has Bush or Dukakis talked about any of this?" Mr. Jones asked at a roundtable discussion with six other voters. No one there knew that in fact Mr. Dukakis had enacted programs in Massachusetts specifically providing universal health insurance and continued medical coverage for welfare recipients going to work.

In Englewood Cliffs, the comments of Frank Chrono Jr., a retired policeman, were a clear signal of the effectiveness of Republican attempts to define Mr. Dukakis as a liberal: "I grew up thinking the Republicans were for the rich and the Democrats for the little guy, but I heard from a friend of mine that Dukakis is for the gay rights bill. If Dukakis is going that far on the liberal side, he may do more harm than good."

In order to win, Mr. Dukakis must persuade a significant percentage of Reagan voters to cast Democratic ballots. But most of the voters contacted by The Post who indicated that they planned to vote for Mr. Dukakis said they had been loyal Democrats all their lives, and very few said they were drawn to him because of something he had said or done.

Voters repeatedly questioned Mr. Bush's ability to lead or ridiculed aspects of his personality. After seven and a half years of the Bush vice presidency, even his strongest supporters said they did not know him very well.

Where he fares best is among traditional Republican voters who share the deep-rooted suspicion

VOTERS: Bush and Dukakis Arouse Anxiety Among Middle Americans

that Mr. Dukakis is a give-it-all-away Massachusetts liberal.

Bob Zeh, 33, an auto mechanic and father of four from Waco, said he would vote for Mr. Bush because he felt that Democratic majorities in Congress had been responsible for the nation's deficit.

"It seems like the Democrats always take in a bunch of money and sink it into the wrong thing," he said.

The strongest of the vice president's supporters frequently cite his years in government as proof that he has the experience to run a post-Reagan administration.

Repeatedly, however, his backers returned to a "lesser-of-two-evils" theme in describing the nature of their support. Dennis Vailorico, who has worked as a computer programmer with General Tire and Rubber in Akron for 28 years, said he knows little about Mr. Dukakis, adding: "I prefer Bush because he hasn't done anything bad that I know of, nothing big bad."

Bush supporters often sound resigned to their choice and wish aloud that a little of President Ronald Reagan's charisma could be infused into the 1988 contest. Oshay said that Mr. Bush's perceived shortcomings could easily be overlooked if voters saw him as the safer choice.

"He's a little older and probably a little better informed than Dukakis," said Robert Priest of Parma Heights, Ohio. "I think the average American as long as he has a house and a couple of cars in the garage and a plate of food on the table, he doesn't care about it too much. I think he's happy, and that's the way it's been going for the last eight years."

Contributing to the reporting and writing of this article were Thomas B. Edsall and Gwen Ifill of The Post.

Even amid the relative prosperity of the present, these voters have nagging doubts about the long-term prospects of the nation.

"We're eating our base, sending those jobs overseas," said Dale Harting, a St. Louis plumber.

"I worry about the young people," said Irma Weissak, a retired credit manager from New Jersey. "Unless something drastic is done, they won't have the opportunities we did. We seem to be losing our lead in industry, trade, everything."

Harold Jones, a refrigerator repairman from Akron, Ohio, said the surge of foreign ownership of U.S. factories and real estate had left him worried that one day "it's the Japanese that are going to be knocking on our door and repossessing."

Such decline-of-empire anxieties would seem to play into the hands of the candidate of the "out" party. But the interviews left doubt about how much Mr. Dukakis could capitalize on them. For one thing, he does not naturally play to the populist politics of resentment and nationalism; his demeanor comes across as too cool, controlled and rationalistic.

But more fundamentally, he has not conveyed the sense of strength that would give voters reassurance. His image and policy positions are so fuzzy to these voters that he has proven vulnerable to Republican efforts to portray him as a Massachusetts big spender and a liberal who is naive about national security.

Mr. Bush has a different problem. These voters have a clearer sense of who he is, but many persist in their doubts that he has the basic

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Obstacles Put PLO In State of Paralysis

After Hussein Pullout, Arafat Delays Decision That May Split Palestinians

By Youssef M. Ibrahim
New York Times Service

PARIS — The Palestine Liberation Organization's tortuous quest to achieve self-determination is meeting obstacles presented not only among Palestinian groups, but also by Syria, Israel and the United States.

These obstructions have left the PLO leadership unsure and hesitant of what steps to take to fill the void created by King Hussein's withdrawal of Jordanian sovereignty over the Israeli-occupied West Bank more than six weeks ago.

Yasser Arafat, the PLO chairman, is fond of suggesting to his guests these days that there will soon be a happy ending to the 40-year-old Palestinian diaspora. "We see," he says, "in the last quarter hour."

But if Palestinian paralysis continues, the last quarter hour will never finish. It could mean that a unique opportunity for political and diplomatic gain made possible by the nine-month-old Palestinian uprising against Israeli occupation of the West Bank and Gaza Strip and Hussein's move will go to waste, Arab and Palestinian officials agree.

Obstacles abound. Among other things, Palestinians are finding that any move implying recognition of Israel risks provoking an explosion inside the PLO. It will push the more radical groups based in Damascus to break away.

Syria and Libya, which vehemently reject peace with Israel, are fanning the flames of disagreement within the PLO, arguing that Palestinians are not independent agents but part of an Arab negotiating consensus, one that Syria sees as firmly under its veto power.

In addition, even moderate Palestinians wonder about the usefulness of granting more concessions such as recognition of Israel or the repeal of the PLO charter, which calls for Israel's destruction.

They say fulfilling such demands of the United States and Israel's Jewish supporters in the West may not be enough to sway Israel to accept a PLO role in talks.

"These are Arafat's most difficult days," Raymond Tawil, co-founder of the Palestine Press Service, said in an interview in Paris. "Whatever the decision, it will stand as an historic one."

As a result, a swirling debate has been going on among the Palestinian leadership in Baghdad, Tunis, Tripoli, Algiers and Damascus, supplemented by a virtual army of Palestinian legal and political experts laboring to produce options that best exploit the new situation.

Until a clear option emerges, Mr. Arafat and his colleagues have put off a meeting of the 500-member Palestine National Council that will approve a specific course of action.

NEWS ANALYSIS

But an early indication of what is to come may emerge from a speech to be given by Mr. Arafat on Tuesday in Strasbourg to European Socialist Party leaders.

According to Palestinian officials, the PLO chairman, his closest aides and the clandestine leadership of the uprising on the West Bank favor the formation of a provisional government that obliquely recognizes Israel by calling for two Palestinian states to coexist: Israel within its 1967 borders, and a new Palestinian state in the West Bank and Gaza, made up of the 1.5 million Palestinians who live there.

Among the other options under study are the following propositions:

- Taking the preferred option further by declaring independence and announcing the establishment of a Palestinian state, a move that parallels Israel's own action in 1948. This plan deliberately neglects specifying any borders for the new state, leaving this open to negotiations, Palestinian officials said. It is a plan strongly favored by the leadership of the uprising on the West Bank.
- Dusting off the 1947 United Nations resolution, known as Resolution 181, that partitioned then British-occupied Palestine into Arab and Jewish territories. Although this option implies a claim on pre-1967 Israeli territories, a member of the PLO Executive Committee, Yasser Abdel-Rabbou, hinted last Thursday that this was a starting point in negotiations rather than an attempt to shrink Israel beyond its 1967 borders.
- Calling upon the international community to place the occupied territories under a protection mandate of the United Nations, until the status of these territories is decided in negotiations. Palestinian leaders recognize that this solution is certain to be rejected by Israel and the United States, but it will avoid any split within the PLO.
- Doing nothing. This option is based on some of the Palestinian leadership's argument that the uprising is a continuing, and growing, revolt against Israeli occupation that will eventually persuade Israeli public opinion that holding on to the occupied territories is not worth the effort and cost. The view is also premised on the conviction of many Palestinians, that neither Israel, nor the United States, will force their attitude toward the PLO, no matter how many concessions the Palestinians make.

As the Palestinians go through this search, Mr. Arafat is said to have two pressing concerns. One is the need to relieve some of the pressure on the Palestinians under Israeli military rule. The other is responding to international, mostly Western, pressure to moderate the PLO stand.

"Our terms of reference are international legitimacy," said Khalid Al-Hassan, a moderate Palestinian leader who is the most senior adviser to Mr. Arafat and who is said to have drafted the Strasbourg speech. "We must make it clear we condemn terrorism and support the two-state solution," he said in a telephone interview from Tunis.

Mr. Arafat's problem remains how to reconcile these demands of international public opinion for a more moderate PLO stand, with threats by extremists within his movement to explode the whole organization under his feet.

An attempt earlier this month in Tripoli, Libya, to reconcile Mr. Arafat's views with those of Ahmed Jibril, secretary-general of the Popular Front for the Liberation of Palestine-General Command, and Colonel Sayed Musa, leader of a breakaway faction in Mr. Arafat's own Fatah group, failed. Both men refused to see the PLO leader.

And in Damascus, the Popular Front for the Liberation of Palestine led by Dr. Georges Habesh, the second largest Palestinian grouping after Mr. Arafat's Fatah group, is opposed to the declaration of a provisional state because it implies recognition of Israel.



A well-wisher blowing a ram's horn to greet Prime Minister Yitzhak Shamir as he was campaigning in Jerusalem on Sunday.

Israel Seeks Immunity For Purchasers in U.S.

By David B. Ottaway
Washington Post Service

WASHINGTON — Israel is pressing the U.S. government to extend a form of diplomatic immunity to some members of its military purchasing office in New York, an organization suspected of involvement in the illegal export of American military technology, U.S. and Israeli sources said.

Negotiations on the issue have been held since early this year, but they have intensified in recent weeks because Israel is seeking a decision from the State Department before the Reagan administration leaves office in January.

An Israeli source said Israel wants 47 of the 250 staff members in its military procurement office to be granted "consular immunity," a limited form of full diplomatic immunity.

Consular immunity provides protection only for activities directly connected to a person's official functions, not for all crimes. But such protection would be sufficient to shield a foreign national suspected of involvement in the illegal export of U.S. military technology from U.S. prosecution, according to U.S. officials.

The Israeli Embassy refused to comment on the matter, except to confirm that negotiations were under way.

A State Department official said that Israel initially sought consular immunity for the entire staff of the military office by requesting that it be considered an "annex" to the Israeli Consulate in New York City. But the Israeli request has recently been revised to focus on 47 staff members.

The official said the Israeli request posed "legal and diplomatic" problems for the United States over how to deal with employees in the purchasing office who are suspected of seeking to smuggle American military technology.

The Reagan administration is reported to be sharply divided over the Israeli request. Officials at a State Department are generally in favor of granting the Israeli consular immunity, but a formal decision has not been made, Israeli and U.S. officials said.

The Federal Bureau of Investigation is "unilaterally opposed" to granting immunity, and the Justice Department, which has responsibility for investigating violations of U.S. arms-export laws, is also strongly against the idea, the officials said.

2 Policemen Killed in Spain
BILBAO, Spain — Gunmen who police said were probably Basque guerrillas shot and killed two policemen in an ambush Saturday in a village near here, an official said.

Bangladesh Faces Grim Future of Floods

By Richard M. Weintraub
Washington Post Service

DHAKA, Bangladesh — Geography, environmental degradation and good intentions gone awry are combining to confront the 110 million people of Bangladesh with the prospect of repeatedly suffering the kind of devastating floods now ravaging their country.

Water experts, engineers and longtime observers of this vast river basin are at a loss to learn the exact cause of this year's flooding, acknowledged to be the worst in modern times. But there is no doubt that the situation has been building for some time and is a portent of things to come.

For the tens of millions now living on waterlogged spits of land or clinging to rooftops as floodwaters swirl nearby, the need now is for food, medicine and some hope that they will see dry land in the near future. A nation used to living hand-to-mouth is facing its most desperate test. Even if it gets past this crisis, however, there is no guarantee of the future.

"There has been long-range environmental degradation in the north, massive loss of forests," an expert said last week in Dhaka. "Considering the pace of change, we will see more of this. It has happened two years in a row. We may be on the front of a trend."

Satellite maps of this region for the past several years have shown a massive accumulation of silt that has come down from the mountains of Nepal and northern India through the river system.

The extensive cutting of forests in the Himalayas for firewood, land and profit is finally reaping a different reward downstream.

"The loss of topsoil in the Himalayas is ultimately leading to the flat plains and the deltaic region's waterways getting clogged," said B. M. Abbas, a former minister of water resources in Bangladesh. "The entire Himalayas are being washed off and the region is being drowned in silt and water."

One engineer with long experience in the area, said: "It would take a dam stronger than almost all those in the United States to control the water flow in some of those Himalayan regions."

Other experts added that even if such dams were technically possible, it would take tens of billions of dollars and years if not decades to construct an effective system.

"We are misleading the people," said Dr. Ainnun Nisbat, a water control expert at Dhaka University. "Reservoirs in Nepal are not the answer. If you can't build reservoirs, then you have to channel it. We have to learn to live with floods."

Mr. Nisbat said that reservoirs and dams would ultimately help not only during the flood season, but also would reserve water for the dry seasons.

But he questioned whether man could control the natural consequences of what has been created through the loss of forests and increasing water and silt flows.

"The only short-term solution is embankments," he said. "But they can't be just anywhere. They must help natural drainage flows and must be properly constructed."

Starvation Reports Denied
The government of Bangladesh said Sunday that there was no starvation among the millions of people affected by the recent floods, and denied reports that relief supplies were not reaching some areas, United Press International reported from Dhaka.

Information Minister Mahbubur Rahman said that government relief goods were reaching millions of people marooned on roofs, boats, embankments and rail lines around the country, despite limited helicopter and boat delivery operations.

He denied that flood victims were starving, despite reports by the military in the Gopalganj district, 70 miles (115 kilometers) south of Dhaka, that about 82,000 people in the town of Hollarhat and another 100,000 in nearby Chittaguri had not eaten in four days and were not receiving supplies.

The first large shipment of foreign aid arrived over the weekend

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Iran Opening: Chess Allowed By Khomeini

By Youssef M. Ibrahim
New York Times Service

NICOSIA — Ayatollah Ruhollah Khomeini, the Iranian leader, has ruled that chess is acceptable under Islam, as long as no gambling is involved.

The Iranian news agency, mentioned in Nicosia on Saturday, said the ruling was one of several sought by devout Muslims.

Ayatollah Khomeini also approved the trading of musical instruments, provided they are not intended for ignominious purposes or used counter to religious ethics.

An early form of chess, which is thought to have originated in China or India, was introduced into Persia in the 6th century.

Carlucci Appeals For a Sustained U.S. Role in Asia

By Youssef M. Ibrahim
New York Times Service

HONG KONG — The U.S. secretary of defense, Frank C. Carlucci said Sunday that the United States should continue to play a prominent role in the security of Asia.

In a speech to a business group, Mr. Carlucci said that U.S. defense commitments in Asia had underpinned regional economic success, and he warned against moves toward cutting U.S. military spending abroad. He was ending a one-day visit to Hong Kong after a six-day trip to China.

"The U.S. has stood by these commitments through thick and thin," he said, "and our armed forces continue to be stationed in key parts of Asia."

Look at the results. Japan is secure and prosperous. The Republic of Korea has its first democratically elected president in 17 years. The dramatic transformation of the Philippines to democratic government has stirred the imagination of citizens throughout the world."

He added: "Only by maintaining the American role and stimulus to newly urging our partners to shoulder a burden more proportionate to their economic strength can we deter aggression."

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Herald Tribune

Shame on Baghdad

Credit the State Department at least for condemning Iraq's "abhorrent and unjustifiable" use of poison gas. The department has rightly ignored administration officials who seem to believe that saying anything might complicate the Gulf war cease-fire talks. Yet it was left to the Senate to put teeth in the American protest by approving a ban on aid to Iraq so long as it wages chemical war against its Kurdish population.

In any case, the American response seems positively bare-chested compared with that of the rest of an indifferent world. Hardly a peep has come from France, which does a thriving arms business with Iraq. Indeed, France sold the planes and trained the pilots presumably used in bombing Kurdish villages. Britain, also commercially interested in Iraq, is similarly mute. So is West Germany, the careless seller of insecticide plants which are believed to have been used to produce chemical weapons.

Moscow hides behind its treaty of friendship with Iraq. Third World countries swallow their tongues, as they invariably do when any in their camp venture into genocide. Israel has been repeatedly summoned by the UN Security Council to answer to human rights charges — including its failure to prevent the slaughter of hundreds of Palestinians by Lebanese Christians in Beirut — yet the council has never once managed to condemn Iraq by name for proven and repeated use of chemical weapons in the Gulf war.

As to the Kurds, few peoples have been sinned against by so many for so long. Their mountain lands lie at the intersection of Iraq, Iran, Turkey, Syria and the Soviet Union. They were promised a state of their own by the Allies in 1922 in a treaty that Turkey failed to ratify. Ever since, they have been used as pawns in regional conflicts.

At one point in the 1970s, the United States and Iran joined in arming Iraqi Kurds, only to dump them in return for Iraq's acceptance of Iranian frontier claims. Now they have become unintended victims of the West's successful quest for a Gulf truce.

The ignoble game goes on. Iran armed Kurds in reprisal for Iraq's support for Iranian insurgents. Turkey has long denied that Kurds are a separate people, calling them "mountain Turks," although for the moment Ankara is providing some sanctuary for Kurds fleeing Iraqi attacks.

It is not just the Kurds whose lives are at risk. If Iraq means no real costs for using poison gas, other governments could be tempted to follow its murderous example.

Iraq should be left in no doubt that it will become a pariah if it continues to use horrible, lawless weapons in a genocidal campaign. Let the Security Council finally condemn it — by name — for using chemical weapons against its own citizens. The world's best weapon in these circumstances is shame, if the world will only use it.

— THE NEW YORK TIMES.

This Isn't the Time

Two years ago, enough Republicans joined the Democrats in the U.S. Senate to pass an opening South Africa sanctions bill over President Reagan's veto. This year the key swing senators, including Richard Lugar and Nancy Kassebaum, aren't joining. This portends the demise of House-passed legislation imposing, ambitiously and carelessly, a near-total embargo on trade and withdrawal of investments. Good.

This is not, after all, any moment. It is the particular moment when the Reagan administration is winding down. The United States should be concentrating on doing what is doable, and worth doing, and necessary to do, at this moment. Its unquestionable priority should be to keep South Africa productively engaged in the negotiations aimed at deliverance of its longtime illegal colony of Namibia to independence and at removal of Cuban troops from Angola. The United States is brokering these talks. It would be foolish in the extreme for Congress to take a step that could close a briefly opened diplomatic window which offers South Africa's neighbors immensely important relief from the deprivations of the apartheid regime.

We will not here rehearse the arguments

which have led us to believe that the sanctions under consideration would work against their own declared purpose of dismantling apartheid. We simply point out that a new president is being elected and that he should and will have the opportunity to compose his own South Africa policy in an atmosphere free of the particular static generated by Ronald Reagan. South Africa is dawning terrain for any American president. Mr. Reagan, however, easy on lost credibility among many in South Africa's black majority, and then saw the country's white minority government lose much of its already faint appetite and mandate for reform. The next president, if he is to make any positive difference, will have the formidable task of clearing the lines to both racial groups.

What do sanctions have to do with all this? By themselves probably very little. They are an instrument which Americans can wield boldly at the American end but whose effect on the South African end is problematical. That is reason enough to put the whole apartheid issue off to the next term, and meanwhile to wrap up the Namibia and Angola talks.

— THE WASHINGTON POST.

Who's a Carpetbagger?

Vice President George Bush, who calls Texas home, continues to be hounded as a carpetbagger. Polls suggest that more than half the registered voters in Texas don't think he is a "real Texan." Of course, a lot of other people don't see Mr. Bush as a Texan, either, since by background he is obviously a Connecticut Yankee. But is it fair for Texans to call him a carpetbagger?

The word describes an outsider who seeks political power at the expense of native politicians. It gained currency during Reconstruction, when Northerners traveling South "with little luggage and less character" — in the words of George Rose, a contemporary British writer — seized control of many political posts.

Mr. Bush was not carrying a lot of luggage when he went to Texas in 1948, but he was not seeking office, either. He spent years in the oil business before becoming

Harris County's Republican Party chairman in 1962. He then lost a U.S. Senate race in 1964 against the incumbent, Ralph Yarborough, who used the carpetbagger issue against a man who had in fact lived in Texas for 16 years.

That compares favorably with Robert Kennedy, who was so new to New York State when he ran for senator in 1964 that one malevolent gag had him asking, "Where are the Bronx?" Bill Bradley spent only a few years in New Jersey before winning a Senate seat in 1978. But the larger point is that America is a restless nation. Three percent of Americans — more than seven million people — move from one state to another each year. Two-thirds of the people in Texas were born there, but more than five million were not. That's a beap of carpetbaggers.

— THE NEW YORK TIMES.

Other Comment

Britain Gets a Lecture

There is a Western European democratic nation, according to an impressive series of reports published last week, where the very concept of liberty is under attack by the government. It is a country in which freedom is being curtailed, sacrificed or even abandoned if the political, commercial or administrative price rises too high. Where those who publish a vulgar poster depicting a political leader in suspenders and carrying a whip can be prosecuted under a wide-ranging Public Order Act. Where even universities are under threat because of a prime minister who suffers from "cultural blindness" and resents any potential center of power or influence which could loosen the grip on national life of the ruling party.

It does not sound a happy place. It is a country in which values once thought to be self-evident are now regarded as hopelessly old-fashioned, if not downright unparliamentary. It is a country named Britain.

According to Index on Censorship, which has long championed the cause of the oppressed, censored and silenced across the world, Britain now merits a special issue. It is the first time in the magazine's 15-year history that it has turned the spotlight in this way on a Western democratic country.

"If freedom is diminished in the United Kingdom, where historically it has deep roots," writes the editor, Matthew Hoffman of the Index Independent, which helped prepare the special report, "it is potentially

diminished everywhere." Freedom of information is a fundamental human right. To be able freely to choose who shall govern us, it is first necessary to know how those we put into power behave. Governments wish to be well thought of; they will try therefore to conceal anything which might detract from the respect, acclaim and adulation to which they feel entitled. "This is so palpable," John Stuart Mill remarked, "that a man must be either insincere or imbecile to deny it."

"There has long been a tension between freedom of the press and the secrecy of the governments," says the survey's introduction. "It is the considered belief of the writers in this issue . . . that this tension is in danger of being resolved in ways that favor the keepers of secrets over the tellers of tales."

— The Observer (London).

'Bandit Goods' No Longer

After four decades, Taiwan has modified the practice of referring to the People's Republic of China as a "bandit" regime. Until August, all goods imported from the mainland had to be labeled as "bandit goods." Now, according to the Free China Journal, they will be called products "from the Chinese mainland" or "from Communist China." This matters, since both Beijing and Taiwan insist that theirs is the only true China. The first step toward any reconciliation has to be an end to demonizing the other side. Count a modest gain for civility.

— The New York Times.

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 International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92300 Neuilly-sur-Seine, France.
 Tel.: (1) 46.37.93.00. Telex: Adversing, 613595; Circulation, 613832; Editorial, 612718; Production, 630698.
 Directeur de la Publication: Walter N. Thayer.
 Editor for Asia: Michael Richardson, 5 Conventry Rd., Singapore 0511. Tel: 477-7768. Tlx: RSC6928
 Managing Dir. USA: Michael Gordon, 30 Gloucester Road, Hong Kong. Tel: 5-8010616. Telex: 61170
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 S.A. au capital de 1.200.000 F. RCS Nanterre B 73201126. Commission Paritaire No. 61337
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OPINION

After the High, a Crisis Mood in Moscow

MOSCOW — Conversations in Moscow have taken on a startling new tone. Mikhail Gorbachev's perestroika program has bogged down. There is less in the shops, queues are longer, a sense of urgency is mounting. Some kind of crash program, some kind of dramatic measures are expected within a year or less.

Heavy debates are going on among Gorbachev supporters about what has to be done, and their

By Flora Lewis

announced so far failed to spur deliveries, there is little confidence that this can be expected soon.

These people are well aware of the sudden, bountiful surge in China's agriculture when the peasants were allowed to use the land for themselves. "But the Chinese still have their traditional society," one man said. "We destroyed our peasantry. We don't have farmers who care about the land anymore. They are employees. We have untainted them how to work."

Some economists are urging a huge emergency program using all available resources to import consumer goods and thus provide a quick incentive to work harder. This succeeded in Czechoslovakia in the early 1970s, but the time gained was not used for reform and the economy soon stalled again. It is considered dangerous in the Soviet Union, although authorities are already approaching European banks for big loans to buy machinery for consumer industries.

Others talk about abolishing the many industrial ministries, thus forcing decentralization, which has been blocked by bureaucratic inertia and confusion. (That would help with the nationalities problem, one man said, by providing "a lot of the autonomy that's demanded.")

There are studies on the desirable proportions for a mixed economy. A recommendation has been made to limit direct state control to 20 to 25 percent of GNP, put another 40 to 45 percent under indirect control exercised by tax and credit policy, and leave the rest to the free market.

The words generally used about obstacles placed by officials at many levels to undermine

reform are "the opposition" and "the resistance." But it was pointed out that Mr. Gorbachev's opponents don't have to do anything, to organize, campaign or agitate. It is enough for them to do nothing, just plod on as usual.

One Soviet analysis of the power struggle was this: There are three major groups. (The dissidents don't really count.)

Pro-Gorbachev people call themselves the progressives, and claim they are the real socialists, advocating ways to reverse alienation of the workers and achieve a decent society. They base themselves on the words of "the young Marx, before the Communist Manifesto and the ideas on political economy," as one man put it. They also claim justification for political liberalism in "the old Lenin, his last years when he saw his mistakes and was seeking pragmatic solutions," as another said.

Then this approach names the bureaucrats, "who don't believe anything, don't have any program, who just want to stay where they are." They are said to have a tacit alliance with the progressives for now, but the impending contest is the third group's attempt to win them over.

This group, called the "charivariists," is described as deeply nationalistic, orthodox, essentially anti-Communist. "They are against Stalinism, but they want a Stalin, a strong leader, such people always want a Führer," the speaker said with contempt.

The sense of an impending historic decision is spreading rapidly. The early euphoria that reform could be carried out in quick, relatively smooth and modest stages has disappeared.

Nobody pretends to know the outcome, who will win. Many feel that the stakes have never been so high. It is eerie, and unprecedented.

The New York Times.

Not only have reforms failed to spur food deliveries, there is little confidence that this can be expected soon.

ideas go very far to much deeper changes in the system than anything mentioned publicly.

Said one man, a scholar not normally involved in politics, "The situation here is like 70 years ago" — a reference to the revolution.

People talk about "changing the political system," although without much clarity, speaking of "some kind of pluralism," which a few claim is already emerging in factions within the party.

The people I saw were almost all party members, some of them rather senior, and they seemed eager to explain their new ideas, their concerns, their feelings, as several said, "we are coming to a very important crossroads in our history."

There is a consensus that the key to the impasse is food, that until there is enough food in the shops, energies needed to move the economy won't be released. But not only have reforms

failed to generate American savings and capital, it borrowed abroad.

Education? This administration cut back funds and tried to abolish the Education Department. Its last secretary of education, who said he wanted to lift America's sights, instead takes the mucker pose and mocks respect for the Constitution.

Drugs? This administration, and Mr. Bush's own aides, worked with drug-runners in their lawless efforts to supply the Nicaraguan contras.

George Bush, who went to private schools that did not recite the Pledge of Allegiance, acts as if that were the educational problem — while in the real world teachers struggle to keep their classrooms free of drugs.

On the environment, there have been eight years of pillage and obfuscation. Here, too, the record is barren of any sign that Mr. Bush urged the administration to face the real issues.

The New York Times.

The American Campaign: A Short List of Issues

BOSTON — What are the serious problems facing America? Put that question to Americans, whatever their party or voting inclination, and I think their answers would tend to focus on the same main points:

Economic uncertainty: Enormous debt overhangs the United States, at home and abroad. Unending budget deficits have swollen the national debt. The trade deficit has been financed by borrowing from abroad to the extent that America now has the largest foreign debt of any country.

People may not be sophisticated about those things — I am not — but we are right to worry about their consequences. We know that, because of the debt, any financial incident — a large bank failure, another stock market plunge — is more likely to threaten confidence. And we know that America's reliance on foreign capital limits its independence as a nation.

Competitiveness: Americans' old faith in the superiority of their products has been shaken. They fear that Japan and others have passed them in design and price. In their fear they become defensive, protectionist. And underneath they wonder whether, and how, the United States can recover its competitive edge.

Writing last February in *The New York Review of Books*, Felix Rohatyn said that Japan and West Germany had gained increasing economic power and independence, relative to the United States, on the basis of "sums capital, technology, education and discipline." Those are the very areas in which Americans are concerned about what has happened to U.S. society.

Education: For family after family across the country, this is the deepest concern. Americans read about Japanese education and know they are way behind in scholastic achievement and discipline. The concern is not just national but personal: for our children. Too many American schools are disaster areas today. In languages, mathematics, history, the achievement level is far behind a state school in Europe.

Drugs: The menace of narcotics eats at American society as it does not at that of Japan or West Germany or France or South Korea. It corrupts

By Anthony Lewis

urban life and now the suburbs, too. American jails are filled but drugs are still easily available. Politicians talk about using the armed forces to patrol the borders — when cocaine is so easy to bring in that no conceivable program will stop the supply. The need is to reduce demand; that is, to make America a saner, less drug-dependent society. How do we do that?

Environment: This summer of sickened oceans and thinning ozone layer and the greenhouse effect has made Americans acutely aware of what they are doing to their surroundings. They know that action is needed on a large scale, nationally and internationally.

□

Those are some of the problems on the minds of Americans today.

Not on that list is what George Bush has tried to make the prime issue of 1988: his opponent's patriot-

ism. Governor Michael Dukakis's veto of an unconstitutional bill to make teachers lead students in the Pledge of Allegiance has nothing to do with the major problems ahead.

The patriotism "issue" is there because slinging mud can be effective in campaigns — or at least it can be until people recognize the slime and its authors for what they are. But listing the real issues makes it clear that there is another reason for the vice president's descent into the mud. Insinuations about "patriotism" distract attention from a record that would be hard to defend on many of those real issues.

Mr. Bush served in an administration that rolled up more debt than all the other U.S. governments combined, from President Washington on, so that is not a comfortable subject. The administration turned the United States into a debtor nation. And having



Campaign: Advice to Democrats for a Fresh Start

WASHINGTON — Labor Day, last Monday, was the start of the presidential campaign. The conventions are over, the lazy days of August past. People begin to pay attention and make choices — whom to vote for, whether to vote at all.

Surely this campaign can benefit from a fresh start and fresh themes. The campaign is out about patriotism; both candidates are patriots. It is not about administrative experience; both candidates have that. It is not about the Pledge of Allegiance or our economic foundation — has been eroding. The recovery is built on unprecedented and unsustainable debt and deficit. We have consumed far more than we have earned, and will bequeath the bills to the unborn.

Worse, this debt has not been invested for future return, but squandered on junk bonds, junk goods and junk weapons. This at a time when millions are functionally illiterate; when good students can't get scholarships or loans; when workers need retraining and education; when a bridge collapses every other day; when our sewage, water and transportation systems are decrepit; when environmental despoliation has turned from a nuisance to a threat.

By Jesse L. Jackson

The writer sought the Democratic presidential nomination.

five children is growing up in poverty. Millions more grow up in families in which both parents must work to make ends meet.

President Reagan calling this America a helping create a shining city on a hill, but it's more like a fortress built on sand, swept by tides that we cannot control. We are militarily strong but our long-term security — our economic foundation — has been eroding. The recovery is built on unprecedented and unsustainable debt and deficit. We have consumed far more than we have earned, and will bequeath the bills to the unborn.

Worse, this debt has not been invested for future return, but squandered on junk bonds, junk goods and junk weapons. This at a time when millions are functionally illiterate; when good students can't get scholarships or loans; when workers need retraining and education; when a bridge collapses every other day; when our sewage, water and transportation systems are decrepit; when environmental despoliation has turned from a nuisance to a threat.

and for freedom in South Africa.

George Bush is right about one thing: The election in 1988 is fundamentally about direction. Democrats will win if questions of basic values and direction are addressed and if people are mobilized to register and vote in great numbers.

The policies of the past will not suffice if we are to meet the challenges of the future. It is time to change. Stop drugs from coming into the country. Stop jobs from flowing out. Invest in our children. Reinvest in America. Have the wisdom and the strength to choose a better course.

This is the message that will enable Democrats to win in November. These principles address the hopes and the possibilities of a new generation. They provide a reason to vote, a reason for hope. If Democrats focus on these priorities, we will win — and we will deserve to win.

The New York Times.

Bush Should Hammer on the Negatives

THE unequal nature of the economic recovery and its uncertain duration trouble many people, and a majority of Americans favor change in Washington. George Bush has to suppress this voter restiveness and overcome his personal lack of charisma by emphasizing old coalitional ties and maximizing doubts about Michael Dukakis.

Perhaps Mr. Dukakis is the bloodless Harvard public-policy managerialist his detractors claim. The Republicans' negative challenge is made easier by Mr. Dukakis's summer sloth: Simply mix enough reassurance about post-Reagan policy change with more rhetoric that resurrects 15- to 20-year-old social and patriotic themes and reinforces Mr. Dukakis's own negatives.

Many centrist swing voters legitimately cringe at the idea of an inexperienced liberal governor of Massachusetts conducting foreign policy. And by the time late October rolls around, Mr. Dukakis's increasingly inept management of his state's fiscal affairs — which is already driving him down in home-state polls — could become an economic Halloween mask.

So if the Democratic campaign continues to mix softness and naiveté, even the present level of Republican attacks should suffice to send Governor Dukakis back to Massachusetts for two years of exquisite embarrassment in a fiscally embattled statehouse.

— Kevin Phillips, writing in *The New York Times*.

Compare this with the irresponsible pledges made by George Bush. Not only will the wealthy not be asked to clean up their mess, their profligacy will be rewarded with a new tax break — lowering taxes on unearned income. Not only will we continue to waste billions on gold-plated military hardware, but there is no commitment to the investments to make us strong from the inside out.

The Democratic platform commits itself to political empowerment at home and human rights abroad. It embraces affirmative action, pay equity for women, set-asides for minority contractors. It calls for universal, on-site, same day voter registration as a first step to limiting the influence of money in politics. It offers a plan for peace in Central Amer-

100, 75 AND 50 YEARS AGO

1888: Scientific War

NEW YORK — General Abbot's paper on "The Use of High Explosives in War" carries little comfort to those who would like to believe that the march of civilization tends to equalize the chances of the weak with those of the strong. Indeed, the essay leads to the opposite conclusion: The long purse is to be more than ever the parent of the victorious sword. So great has been the progress made in revolutionizing warfare that the following paragraph may not be dismissed as utterly ridiculous: "It is not safe to be too sure that the twentieth century may not witness the extension of the arena, even to the region of clouds. Thus far, however, the ambient air remains unpoluted by violence, save in the struggle of angels and fiends recounted in 'Paradise Lost.'"

1913: Aerial Audacity

ST. PETERSBURG — By way of encouraging experiments in avia-

Oil Shock: Even Worse Next Time

By Melvin A. Conant

WASHINGTON — It is becoming clear that America is heading toward energy problems that could be more serious and more long-lasting than those of the 1970s.

Just as in the 1970s, the problem is oil. Despite the lessons that should have been learned in the last decade, America is continuing to run its economy with an energy source that is rapidly declining almost everywhere except in the Middle East. Because of the political instability in that region, we are headed directly toward upheavals in oil supply and price like those in the 1970s: the only question about them is when they will occur.

Unlike 1973, when America had a strong petroleum industry and a major electric power expansion under way to substitute for foreign oil, it will face its next crisis unarmed. National policies of the 1980s have crippled its domestic energy industries.

The dangers can be seen in the basic mismatch between oil supplies and demand. Only 5 percent of the world's oil reserves are in the United States. More than 80 percent are in OPEC countries, nearly 70 percent in the vast and remote oil-rich Middle East. By the late 1990s, the United States may be importing as much as 60 percent of the oil its economy needs — at a cost of as much as \$200 billion a year — and most of it from the Middle East.

The United States has the world's largest oil demand. Nearly half of all the oil used by non-Communist industrialized countries is burned in America. Two-thirds of the oil America uses goes into transportation. Fifteen years after the Arab embargo of 1973 warned about the dangers of relying heavily on oil, Americans still count on it for more than 42 percent of their total energy use.

The implications of this mismatch will become painfully clear in the next several years. As world oil demand inches up because of economic and population growth, and as economical reserves outside the Middle East become less certain, the world will become more dependent for oil on a handful of unpredictable nations.

That is not a forecast; it is a description of what is already taking place.

The next oil shocks could be supply disruptions caused by political upheavals in the Middle East, or simply rapid price increases as demand rises. In either event, they are likely to be much more severe and longer-lasting than in the 1970s. This time, Americans will not be able to count on rapid expansion of U.S. electric power.

The main form of energy that America turned to after the 1973 embargo to help reduce dependence on imported oil was electric power. At the time of the 1973 embargo, U.S. utilities were building more than 50 large nuclear power plants. Twelve new ones began operating that year, 14 the next, a total of 87 in the years since. This momentum, along with a similar construction program for coal-fired power plants, allowed the United States to follow the strategy that Japan, France and virtually all of the industrial world have pursued: shift much of energy use from oil to electric power.

This transition has been dramatic. In the 15 years since the embargo, U.S. use of electricity has climbed by 45 percent, but use of oil has declined. Electricity — through heat pumps, electric air furnaces, advanced electronics — has replaced foreign oil in countless uses. And coal and nuclear energy have replaced oil in the generation of that electricity.

Today, though, the situation is very different. There is not a major power plant under construction in the entire country that was started in the 1980s, and none are on the drawing boards. Some areas of the United States have already been having electric power reliability problems this summer; the entire country could see them in the early 1990s.

In the first 100 days of the next administration, the president should take bold steps to reduce consumption of oil, especially in the transportation sector. A tax on gasoline, for example, would not only reduce the federal deficit (by \$1 billion for every penny in tax) but would hold down demand for imported oil.

And changes in electric power regulations, to stimulate new generating capability by whatever means can ensure adequate, reliable supply, would let two abundant domestic resources, coal and uranium, continue combating increasingly risky dependence on imported oil, and put energy security back under America's own control.

The writer is president of an energy consulting firm. He contributed this comment to *The Washington Post*.

tion, the Russian authorities have just sentenced Lieutenant Nestzoff, a military aviator, to thirty days' open arrest for "useless audacity." The flight in which the aircraft was displayed took place at Kieff on Sept. 10, when Lieutenant Nestzoff duplicated (the French pilot) M. H. Gondard's feat of flying upside down!

1938: A Fine Turnout

PITTSBURGH — Chanting "We want roast chicken!" 55,000 people burst through police lines here (on Sept. 11) and charged into the Republican Party's free lunch dining hall, scattering candidates and party officials to the four winds. It all began when the Republicans attempted to make a god of the "Chicken an every pot slogan of yore. Hoping to attract a crowd to hear their candidates speak, they offered free roast chicken to all comers. Observers said the crowd was the biggest drawn by a Republican rally since the 1929 crash, but attributed this to the chickens.

PERSONAL INVESTING

FOCUS

Election Plays Trickier in '88

SHEWED STOCK MARKET investors have reaped rich profits from playing past presidential elections. But this time, say Wall Street analysts, it will not be easy. Investors will have to place their bets carefully because grim economic reality, not the candidates, will be pushing the market.

It was a little different in past elections. In 1980, for example, investors were counting on Ronald Reagan to lift the economy. While the market generally turned upward, the defense industry did particularly well under Mr. Reagan's game plan. Savvy investors who had bet on the Republican candidate and invested in defense stocks were big winners. Indeed, shares in General Dynamics, Boeing and McDonnell Douglas more than doubled in Mr. Reagan's first term.

There probably will not be any clear winners in the next four years, according to investment strategists. Democrat Michael S. Dukakis and Republican George Bush will have to face high interest rates, increased inflation and a yawning budget deficit. Still, Wall Street strategists note that neither candidate has suggested any ready solutions.

"I don't think the election will make much difference," says Steven Einhorn, investments manager at Goldman, Sachs & Co. "Bush and Dukakis are technocrats rather than visionaries. They will both enter office cautiously and do very little fiscally in their first years."

FOREIGN INVESTORS agree. Chris Johns, a senior economist at Phillips and Drew in London, believes that neither candidate will attack the deficit because that would involve, among other measures, raising taxes. "Europeans will probably be disappointed with whoever gets elected," he says, "because Congress will thwart any efforts at reducing the deficit."

Though a sweeping market response seems unlikely, Wall Street strategists still see some plays based on the election. Almost every analyst mentions health care as a sector that will flourish under a Dukakis administration. His record as Massachusetts governor reinforces his campaign pledge to improve national health care. Analysts feel that stocks in private hospitals and drug companies should both do well with a Dukakis victory.

Because Mr. Dukakis has stressed bolstering America's industrial production as a means of lowering the trade gap, strategists also like roadbuilding and construction companies that will be involved in the rebuilding of factories and cities.

On the other hand, some analysts say luxury and consumer goods companies might take a hit if the Democratic candidate gets elected. Michael Metz, a market strategist for Oppenheimer & Co., makes this prediction because he believes that Mr. Dukakis will want to attack the government's deficit by raising tax rates on high-income groups and introducing a new series of consumption taxes.

The single industry most likely to benefit from a Bush administration, say Wall Street analysts, would be the oil industry. The reasoning is simple: Bush is a former oil man who would be sympathetic to the needs of the industry.

Of course, some analysts argue that a Bush election will be an opportunity for quick profits across the board. The market will respond well to a Republican being elected because of the Reagan legacy and because the party has been traditionally pro-business. But David Robins, chief strategist at UBS Securities in New York, expects only a brief upswing and expects to be a seller of equities soon after the election.

Almost every analyst picks one sector to avoid whether Mr. Bush or Mr. Dukakis gets elected: defense contractors. With the agreement on intermediate range nuclear weapons recently ratified, an agreement on strategic weapons possible in the next few years, and the Pentagon scandal still unresolved, investment strategists are sure that no president will go on a defense spending spree anytime soon. □

Gerard F. Griffin

UPDATE

Futures Funds: A Sharp Setback

SEVERAL MONTHS AGO Dimesh Desai thought he spotted the kind of prolonged trend in the futures market that helped his McCormick Commodity funds generate triple-digit gains last year.

As a "trend-follower" who adheres to fundamentals such as inflation or economic and political developments, Mr. Desai depends on elaborate computer models to track price movements in the futures market to determine when to buy and sell. And Mr. Desai was clearly in a buying mood after the impact of this summer's drought was felt. Because of the dry spell and its ruinous effect on crops in the United States, grain prices rose 50 percent in May and June.

He was not the only futures fund adviser to expect a sustained upward trend in prices. The problem was that the trend did not last. Midsummer rains ended the rally and grain futures gave up most of their gains in July and August. In one month, the net asset value of Mr. Desai's funds tumbled 11 percent; the average commodity fund saw a 7.2-percent loss.

Indeed, contrary to widespread suspicions, the recent drought did not prove a boon to the nation's publicly traded commodity funds. In the first seven months of the year, commodity funds rose only 9.4 percent, lagging the Standard & Poor's 500 index's return of 12.3 percent.

The mediocre performance can be traced to markets that have advanced or fallen in fits and starts rather than moving in the clear, easily identifiable trends on which fund advisers thrive, according to Morton Baratz, editor of Managed Account Reports, a newsletter based in Columbia, Maryland, that tracks the industry.

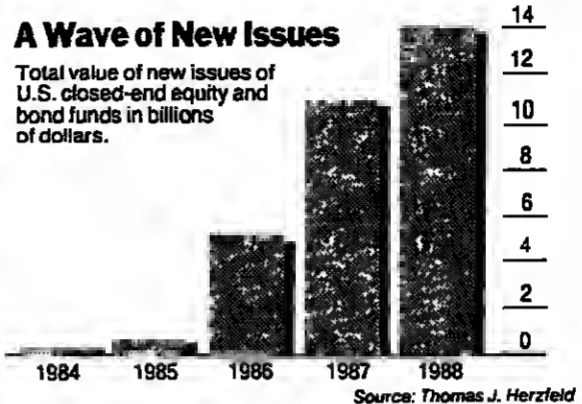
Mr. Desai agrees. "If it had been a smooth 180-degree turn, things would not have been so bad," he says. "But the market sawsawed on its way down, and we suffered losses."

A good example can be seen in interest rate futures. After initially declining, interest rates began to advance in February, a flip-flop that upset the computer programs of many fund advisers and resulted in losses.

Moreover, the dollar's new-found stability early in the year caught many funds unaware. The sub-

Continued on Page 10

Bargain Hunters Move In on Closed-End Funds



Thomas B. Pickens 3d has some experience bidding for deep-discount closed-end funds.

The steep discounts on some issues lure major players.

By Cynthia Catterson

CLEMENTE Global Growth Fund suffered the fate of many closed-end funds last October. Its stock price sank far below the underlying per-share value of its portfolio, creating a yawning discount that persisted into the winter months.

In January, Thomas B. Pickens 3d, the 31-year-old son of the corporate raider T. Boone Pickens, decided that the 33-percent discount on the year-old fund that invests in emerging markets and smaller companies worldwide was just too inviting. Since then, he and some friends have scooped up about 18.4 percent of Clemente's 6.1 million shares.

The group offered to buy out the management contract of the \$50-million fund, an offer that Clemente management flatly refused. Indeed, Clemente has filed a lawsuit to try and force Mr. Pickens to disclose his intentions. But Mr. Pickens refuses to discuss his next move other than to say that the fund's assets could be handled more effectively.

"I don't see why shareholders should be taxed with the difference between the share price and the asset value just because management wants to hold onto their contract," insists Mr. Pickens. "There's nothing special about the fund to justify that."

While Clemente's management disputes Mr. Pickens's criticism, few observers would deny the timeliness of his thrust into the closed-end fund sector. Several professional investors and brokerage analysts have zeroed in on closed-end funds as offering some of the most clearly undervalued situations in the market.

Like mutual funds, closed-end funds are investment companies whose portfolios of stocks and bonds are managed by an advisory firm. But unlike mutual funds, closed-end funds have a fixed number of shares outstanding. Thus, the fund can trade at prices above or below the per-share net asset value of the underlying portfolio, depending on the balance between supply and demand for the fund's shares.

The proliferation in closed-end funds in the past few years has put increasing pressure on share prices to sell at a discount because demand has not kept pace with supply. So far in 1988, 40 new funds have come to market this year, raising more than \$14 billion, according to Thomas J. Herzfeld, president of a closed-end fund investment advisory firm. That number has already surpassed last year's total, which was a record at the time, of 35 new issues worth roughly \$11 billion.

By comparison, 10 years ago the entire closed-end

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Among U.K. Funds, It's Dog-Eat-Dog

IT HAS been barely three months since Edinburgh Fund Managers lost their battle to retain control of the \$200-million Crescent Japan Investment Trust to a group of shareholders led by the U.S. partnership Sterling Grace. In the end, the investment trust — as closed-end funds are called in Britain — was liquidated.

Now directors at EFM are wondering what to expect from Robert Maxwell, whose investment company, London and Bishopsgate International Investments, has announced a 22-percent stake in the EFM-managed New Tokyo Investment Trust, a \$134-million investment trust that specializes in Japanese smaller-

company shares and trades at a 12-percent discount to its underlying assets.

A spokesman for Mr. Maxwell declined to comment on his plans for his holdings, but directors at EFM are concerned that they might find themselves in a bitter dispute once again. "We have alternatives, but we can't do anything until we know what Mr. Maxwell wants," says Iain Watt, director of the New Tokyo trust.

Whatever the outcome, such predatory maneuverings are becoming almost commonplace among British closed-end funds, a \$37-billion industry that has been undergoing consolidation for the past decade. In the last 12 months, more than a dozen investment trusts

have been taken over, restructured or liquidated.

Analysts blame Big Bang, Black Monday and the arrival of the American investment houses for the current wave of activity. But it is the erosion of support by institutional investors, who have accounted for roughly 75 percent of investment trust shareholdings, that has put investment trust managers under increasing pressure to narrow discounts and attract more private investors.

"Gone are the days of the loyal, old boy network. It's dog-eat-dog out there now," says Hamish Buchan.

PROFILE

An Asia Hand's Long-Term View

By Coleen Geraghty

IT WAS 24 years ago that Richard Thornton first visited the Far East as a young investment manager for Foreign & Colonial Trust. The region has changed a lot since then, but not Mr. Thornton's enthusiasm for a part of the world that offers investors huge opportunities and equally harrowing risks.

"I believe the same opportunity exists today in what we call the 'tiger' economies — South Korea, Taiwan, Hong Kong and Singapore," says the chairman of Thornton & Co., a manager of \$1.5 billion in assets that was recently acquired by Dresdner Bank of West Germany. Over the next decade, "the tiger economies will be hard-pressed to show less than 8 percent annual economic growth," says Mr. Thornton.

But he adds a typical caveat: "It's not all going to happen in 10 minutes, and there could be quite a nasty bear market in the short term."

Indeed, the volatile swings between risk and reward in the region can be seen in the performance of two Thornton funds that specialize in these smaller Asian markets. Since the first of the year, Thornton's \$16-million Little Dragons Fund is ahead a hefty 70 percent, and the \$87-million Tiger Fund has surged 53 percent. That makes them the top performers in that period among about 200 Asian funds

tracked by Wyatt Co. in Hong Kong. But even that impressive showing has not canceled out the devastating effects of the stock market setbacks that culminated in the October 1987 crash. Both funds are 20 percent below their year-ago levels. It is hardly surprising that Mr. Thornton looks for the return of the long-term investor.

Looking back on October, "the most frustrating thing" was how panicky fund holders rushed to redeem their units, he says. To meet the redemptions, he recalls, "we were forced to sell stocks we knew were desperately cheap. Later, we watched those stocks double and triple in value."

"The short-term mentality of our unit-holders has been one of the biggest disappointments for me," says the 57-year-old Mr. Thornton. "Although our funds have held up well in size, the turnover of the unit-holders has been appalling. People cannot have made money, and certainly they have not acted in their own interest."

But few investors could be expected

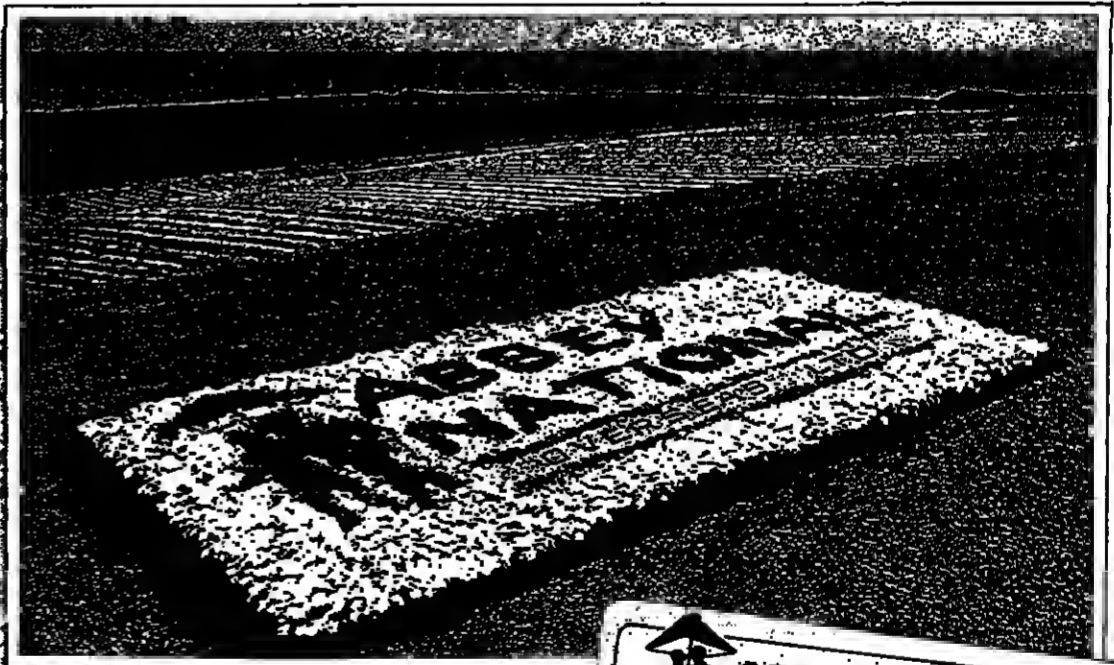
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Richard Thornton says the big worry is whether the White House will be won by a protectionist.



Richard Thornton: A perspective on Asian markets.

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FUNDS

Bargain Hunters Target U.S. Closed-End Funds

Continued From Page 7

fund industry was made up of some 60 funds worth about \$8 billion. To date, there are more than 100 listed in the United States trading at an average discount of about 12 percent.

Closed-end funds with steep discounts draw buying interest for the same reason that investors converge on ordinary companies whose shares are perceived to be undervalued. It is a chance to pick up assets at bargain prices.

Mr. Pickens and his friends, John and Oliver Grace of the investment firm Sterling Grace, are becoming experienced hands at this gambit. Last year, they convinced management of the Japan Fund to convert to a mutual fund.

In June, the Graces picked up another couple of million dollars when they led a group that forced the liquidation of a \$200-million U.K. closed-end fund, Crescent Japan.

But the Clemente Global Growth Fund is not the only fund that has caught the attention of bargain hunters. In the past year, a number of investor groups have taken advantage of the steep discounts to acquire large stakes in such closed-end issues as the Italy Fund, First Financial, Financial News Composite and Greater Washington Outlook.

In December, Alexander M. Vik, a vice president at Smith Barney, for example, used the 49-percent position he had acquired along with his father and brother, to take over the management of the \$55-million Scandinavia Fund.

months a change to the fund's investment strategy. "Rather than betting on 50 or 100 different companies that in the end reflect the market, we want to become more focused by taking a sizable position in 5 or 10 companies." This way, he reasons, the fund can influence the companies it invests in.

A raid is not always good news for a fund's shareholders. In fact, performance can suffer.

discounts to increase his position in the \$80-million France Fund to 26 percent, and in the \$55-million Italy Fund, to more than 5 percent. However, he says he does not plan to make an offer for either one of these funds.

A Case of Dog-Eat-Dog Among British Funds

Continued From Page 7

an analyst at County NatWest WoodMac in Edinburgh. "Managers know they can no longer count on the institutions."

Institutions want to divest themselves of their positions in investment trusts, some of which have been held since the 1940s. In many cases, the managers no longer need to pay outside managers for a service they have become sophisticated enough to do for themselves, analysts say.

Moreover, changes in the British tax budget have set the base date at which investors calculate capital gains tax from 1965 to 1982, relieving institutions of tremendous tax liabilities from long-held investment positions.

Analysts say predators started sniffing out trusts shortly after the stock market crash last October. Forced discounts in most trusts to widen. Trusts with securities in the Japanese market were particularly vulnerable because discounts in some cases doubled to more than 30 percent while the Japanese stock market showed unrivaled re-

and the discounts, until very recently, were quite attractive.

Some observers expect to see the \$500-million Liberty All-Star Equity Fund in play in the months ahead. Last December, John Bogle, a shareholder in the fund and chairman of the Vanguard Group, approached Liberty's management with a proposal to convert the Liberty-All Star to a mutual

fund and to appoint Vanguard as its management. Among Mr. Bogle's complaints, according to Brian Mattes, a spokesman for Vanguard, were management's handling of the assets, steep management fees and the fund's 26-percent discount. Mr. Bogle had maintained that Vanguard could run the fund

more economically while capturing the large discount as profit for shareholders.

"Investors would have made about \$104 million when they redeemed shares at \$3.50 asset value at the time," says Mr. Mattes. "Fees would have been halved, saving about \$1.8 million annually. That would have boosted the amount of net income available for dividends by 28 percent."

However, the proposal was rejected because at the time, and Mr. Bogle had not held his 500 shares in the fund for a full year, the period required before a shareholder can make such a proposal. Mr. Bogle still holds his position in the fund, but has not formally announced plans to pursue his proposal. "You can draw your own conclusions," Mr. Mattes says.

TO BE SURE, fund managers have become increasingly aware that persistently wide discounts invite shareholder insurrection. Although closed-end funds already in existence can do little to adopt defensive provisions without the support of two-thirds of the shareholders, newer funds are

including antitakeover bylaws in their charters.

Moreover, many are including deadlines when shareholders can vote on whether the fund should be restructured into a mutual fund. Such a measure was recently adopted by the directors of the Clemente Fund to mollify impatient investors.

"If shareholders know they can cash out at a later date, they may not be so quick to sell out now," says Leopoldo Clemente, who manages the fund with his wife, Lilia. This kind of arrangement also gives management borrowed time to prove the fund can be managed successfully in a closed-end format.

Clemente's board has also adopted a 10-percent share buyback program to prop up the share price and narrow the fund's discount, another common tactic among managers. So far, the discount on Clemente shares has narrowed to about 12 percent, though it is unclear whether the cause is the buyback or Mr. Pickens' recent actions.

Experts say there is no sure fire way to pick which funds will be future takeover candidates. In fact, Mr. Clemente insists his fund is a poor choice for a takeover

because its assets are not easily sold off.

Mr. Herzfeld recommends that individuals should start by looking for a well-managed fund selling at a deep discount. "Capable management will eventually narrow the discount through performance or some kind of policy change," he says.

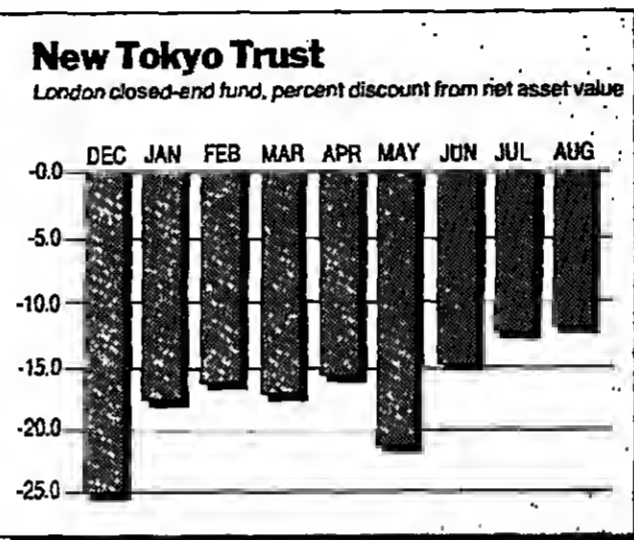
Currently, a model portfolio offered by Mr. Herzfeld recommends positions in four closed-end funds: Asia Pacific, Excel Income Shares, First Financial and the Mexico funds.

Floppy managed funds trading at deep discounts could also represent an opportunity, he acknowledges, because they are vulnerable to takeovers. However, he cautions that "shareholders should not jump for joy just because a raid on their fund is announced."

"It may have the short-term benefit of narrowing the discount, but if the takeover is unsuccessful, it can run up the legal bills and push up the expense ratio, all of which comes out of the fund's assets," he explains. These battles also distract the fund manager from managing the portfolio, he adds. "Performance invariably suffers." □

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At the same time, many institutions were open to ways to regain their lost funds, allowing raiding parties to obtain sizable positions in a few trusts and proceed with cooperation among fellow shareholders.

approval of the bid, have not been officially announced. The coal board pension fund has been involved in takeovers in the past. For instance, it acquired Drayton Premier Investment Trust in 1983, a \$350 million fund.

PROFILE

Richard Thornton: Betting on the Tiger

Continued From Page 7

to have the confidence that long experience like Mr. Thornton's confers. After the stint with Foreign & Colonial, he became the Asian specialist for GT Management, which he founded in 1969 with Thomas Griffin.

Mr. Thornton, who lives in London, visits the Far East less frequently these days, relying instead on the Hong Kong headquarters' 80-person staff headed by Peter Everington, director of Thornton Management Asia.

"It is patently clear that the Koreans are going to make a go of it," he says. "They are absolutely dedicated to defeating the Japanese on the economic battlefield. The comparisons between Japan before the 1964 Olympics there and Korea before the 1988 Olympics are startling."



The emergence of other "tiger" nations in Asia is likely, he believes.

open a stock market, but you can have the tiger effect without a stock market. A major threat to the progress of all Asia's smaller markets is protectionism.

Like many other firms that follow Asian markets, Thornton is particularly worried about how a Democratic president would respond to domestic pressures for sweeping trade barriers.

In Japan, the big opportunities in coming years will be among smaller companies, Mr. Thornton figures. The shares of Japan's smaller companies lagged the blue chips through most of the rally that began in August 1982, but have outperformed the larger issues for much of this year.

even while the Nikkei index of blue chips remains rather flat. Mr. Thornton allows that, when it comes to these smaller companies, "the risk factor is going to be quite high if you get it wrong."

Through such drastic commitments would not be made by Mr. Thornton's firm in the funds it offers to the public, the company has a reputation for taking a definite view on the markets.

Despite its reputation as a firm with a good grasp on Far Eastern trends, last October's crash, which devastated several of the small Asian markets, marked the beginning of the end of Thornton's dependent existence.

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open a stock market, but you can have the tiger effect without a stock market. A major threat to the progress of all Asia's smaller markets is protectionism.

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BOURSES

Cashing In On Worries About Waste

By Gerard F. Griffin

THE MEDICAL WASTE that littered East Coast beaches this summer forcefully reminded the public that garbage does not just go away. Disposing of it requires increasingly sophisticated methods.

The growing public anxiety about pollution problems is behind another round of bullish profit forecasts for innovative companies in the waste-management field. "I haven't had as many buy orders in close to two years," says Douglas Augenthaler, who researches pollution-control companies for Dean Witter Reynolds. "It's been a while since the market looked so good."

Analysts like Mr. Augenthaler are optimistic about waste management for a variety of reasons. Heavy media coverage has generated enormous public interest in waste management. Stocks in most waste-disposal companies still have not recovered from the October crash. And some waste-management companies seem to be recession-proof. No matter what happens to the economy, the flow of garbage will continue.

America has only become aware in the last 10 years of its phenomenal capacity for producing trash, and it is in that period that sophisticated waste-management companies have cropped up. For example in 1980, the U.S. government created a \$1.6-billion Superfund designed to pay for toxic-waste cleanup around the country.

Interest in waste-management stocks is not new. With so much official and public enthusiasm for waste management, stocks in some companies have quadrupled in price in the last three years. Yet analysts believe the sector may be on the verge of another rally largely because the sector appears undervalued relative to its historical performance.

Stocks in waste management companies have outperformed the Standard & Poor's 500 index since 1986, selling at premiums as high as 40 percent above the market's average price/earnings multiple. The October crash, however, hit high P/E companies hard, pushing stocks in waste companies down closer to the broader market multiple.

Before buying shares in waste management concerns, though, an investor should understand the uncertainties of garbage disposal. Nowadays, some types of trash are better than others.

Wall Street is shying away from companies that treat hazardous waste. Optimism over the past years about toxic-waste companies relied heavily on the flow of money from the U.S. government's Superfund. Congress allocated \$3.6 billion to be spent between 1986 and 1991 on cleaning up toxic waste. However, since the Reagan administration has been less aggressive on the environmental front, little has been spent so far — only \$300 million.

Because a new administration will require a cumbersome transition period, and because tighter reins on government spending seem probable, analysts do not expect the Environmental Protection Agency to spend much more, regardless of who wins the November election. "Bush and Dukakis will both be upticks from Reagan, but that's not saying much," says Mr. Augenthaler at Dean Witter. "I'm not sure that it means anything in terms of dollars being spent."

Vishnu Swarni, a Prudential Bache analyst, is steering away from toxic-waste management companies because he considers them susceptible to a recession. In an economic slowdown, the companies that produce toxic waste would scale back their operations and create less waste. Some companies might also change their products' makeup to cut down on expenditures for hazardous-waste treatment.

Instead, analysts are focusing on companies that specialize in removing municipal solid waste, an area where the volume of business is expected to increase steadily no matter how the economy performs.

Indeed, throwing out the garbage is not as easy as it once was. Landfills, which now take about 85



A New York City sanitation official displays medical waste found on beaches.

percent of the country's trash, are filling up. The EPA estimates that within 10 years one-third will be full, and few communities want new trash dumps in their backyard. Companies that offer clean, productive means of solid-waste disposal — recycling and using trash to generate electricity, for example — will be able to take advantage of the impending landfill shortage.

Playing on this trend, several analysts recommend Massachusetts-based Wheelabrator Technologies, a company that, as the country's largest waste-to-energy company, brought in \$990 million in revenues in 1987.

SINCE BUILDING the country's first waste-burning plant in 1975, Wheelabrator has added six more plants which burn a total of 12,200 tons of garbage a day. Pointing to Wheelabrator's experience in the field, Theresa Guman, a Salomon Brothers analyst, expects the company's earnings to rise 29 percent in 1988 to \$1.10 per share and another 27 percent to \$1.40 in 1989.

Analysts almost invariably mention Illinois-based Waste Management Inc. as a promising play. Though most of its revenue comes from landfills, Waste Management is the country's leading recycler of municipal trash.

With 1987 revenues of \$1.9 billion — more than any other waste company — Waste Management provides a comprehensive range of services, including garbage collection, recycling and solid waste disposal. It operates around the country, with activities ranging from a recycling operation in San Jose, California, to a waste-to-energy plant in Tampa, Florida.

Mr. Augenthaler at Dean Witter estimates that the company's earnings will go from \$1.46 to \$1.85 per share by the end of 1988, and to \$2.20 the following year.

Any company that treats infectious waste — or "red bag" waste, as material from medical facilities is called — is sure to benefit from the recent media coverage. Stirred by reports of AIDS-infected waste, the public is demanding regulation of hospital waste; already, two bills are pending in Congress.

A pure play, though, is hard to find. Kenneth Leung at Smith Barney points out that Waste Management has two plants for disposing of infectious wastes, but they generate only \$10 million in revenues, a tiny fraction of the company total.

Mr. Leung prefers Browning-Ferris Industries, a \$1.3 billion company based in Texas. Though BFI

mostly handles solid waste, it operates 16 infectious waste plants around the country that last year generated \$20 million in revenue. Mr. Leung expects BFI's earnings to rise 20 percent next year, to \$1.80 per share.

One company is small enough that its medical waste treatment facility brings in a good part of its revenues: Massachusetts-based Clean Harbors Inc., which reported revenues of \$73 million in the year ended February 1988. One of its four hazardous waste treatment plants in Braintree, Massachusetts, disposes of "pathological" waste, or the organs and body fluids removed during surgery. Trading over-the-counter, Clean Harbors' share price has jumped from \$9 to near \$16 in the last month.

Germany's Junior Market

Things are looking up for Geregelter Markt.

By Polly Ross Hughes

FOLLOWERS of Britain's Unlisted Securities Market and France's Second Marché can point to a fair number of success stories about smaller companies that went public on those junior exchanges and became darlings of investors. But both exchanges had the good fortune of being formed shortly before the bull market erupted in 1982.

By contrast, West Germany's junior exchange — the Geregelter Markt — was a late-comer and paid the price. Last October's stock market crash hit just as the Geregelter Markt (which means "regulated exchange") finished its fifth month of existence. Six more months were to pass without a single new issue on the fledgling exchange.

But things seem to be looking up for the Geregelter Markt, say West German analysts. The new-issue pace picked up in the summer and is expected to continue at a respectable level, thanks in part to an impending tax change. Investor interest in the market is also showing modest signs of improvement.

"The trend is clear. The market has calmed down a little bit and stock prices are rising," said Albrecht Buerger, legal adviser to the Federation of German Stock Exchanges. "Companies are becoming more confident in the stability of the market."

As evidence, Mr. Buerger points to the growing list of applications by West German companies interested in going public, including 14 specifying 1988 as the target year. Though some may join the main market, that is good news for followers of smaller companies.

Bernd Erdl of PM Fortitudo Management in Munich predicts a "dramatic upswing" in the new-issue market in the next couple of years as companies rush to beat a tax law that goes into effect in 1990. The law will effectively double the government tax take on profits from the sale of a closely held company.

The law creates an incentive for owners of some of the thousands of family-run companies created in West Germany after World War II to consider going public sooner rather than later. In the last few months, John Legat, a fund manager at G.T. Unit Trust Managers, says he has noticed substantial interest in smaller companies. "What we're finding is the founders tend to be selling off 40 percent of the companies to outside shareholders with the intention of retiring in the future," he says.

The market has been beaten down so far that an improvement would seem virtually inevitable. Of the 17 new issues on the Geregelter Markt since it was formed, only a couple were

in the plus column at the end of August. "The crash hit the market on its head," says Mark Edwards, a fund manager at Robert Fleming Investment Management Ltd. in London. "The confidence really disappeared."

Ten of the new issues joined the market before the crash and the remaining seven were introduced since May. Issues that had been trading in unofficial over-the-counter markets were moved to the new regulated market when it was formed, bringing the total number of issues listed to 129 stocks and 2,037 fixed-rate securities.

Most of the new entries are long-established, family-run enterprises rather than brash young firms. The new issues represented a good mix of business, including food processors, retailers, computer hardware and software operations, textile makers, a bank and an insurance broker.

The only real star among the new issues has been Hamburg-based Info AG, led by a former IBM executive, Hans-Peter Bauer. Info, which went public on June 5, 1987, has carved out a commanding position as a provider of emergency computer services to big financial institutions and as a supplier of software systems.

INFO'S SHARES recently traded at 410 Deutsche marks, a 17-percent gain from the initial issue price of 350 DM. But the rise has been bumpy; that's a substantial mark-down from the 660 DM price in late spring. Info's stock took a tumble in May after the company announced 1987 operating profits of 16.2 DM per share instead of the 24 DM widely predicted by market analysts. Though sales and cash flow were within predictions, the company was apparently not allowed by tax officials to benefit from heavier depreciation and some extraordinary items arising from its expansion.

"From our point of view, this was not a surprise," says Heiner Fels, Info's chief financial officer. "We were irritated by the reaction. I think the stock price is relatively low right now."

Another standout, in Mr. Legat's view, is BBS Kraftfahrzeugtechnik, located in the tiny Black Forest town of Schiltach. BBS was founded in the early 1970s by two young automobile racing buffs who literally reinvented the wheel. Today BBS's primary clients are the giant German automobile manufacturers, BMW and Daimler-Benz, says Bernhard Schinnerling, a director of initial public offerings at Deutsche Bank, which underwrote the company's offering.

"They are in the upper segment of the wheel market," says Mr. Schinnerling. "There is such a heavy demand for the BBS wheels that the big car manufacturers forced these people to increase their production."

In May 1987, BBS financed its expansion with the issuance of 4 million DM of nonvoting shares on the Geregelter Markt. The founders own all the company's 5 million DM of voting stock.

A key to the company's strategy has been international growth. The company's 1987 sales of 116.4 million DM included 77 million DM in sales abroad. Sales to Japan rose a hefty 75 percent and U.S. sales jumped 39 percent.

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Rosy Earnings Outlook

Consensus per-share profit forecasts by Institutional Brokerage Estimates System, a service of Lynch, Jones & Ryan.

	Fiscal Year-end	1987	1988	1989
Wheelabrator	Dec.	\$0.83	\$1.05	\$1.36
Browning-Ferris	Sept.	\$1.15	\$1.48	\$1.80
Waste Management	Dec.	\$1.46	\$1.94	\$2.39
Clean Harbors	Feb.	\$0.66	\$0.98	\$1.20

Figures for fiscal years 1988, 1989, and 1990.

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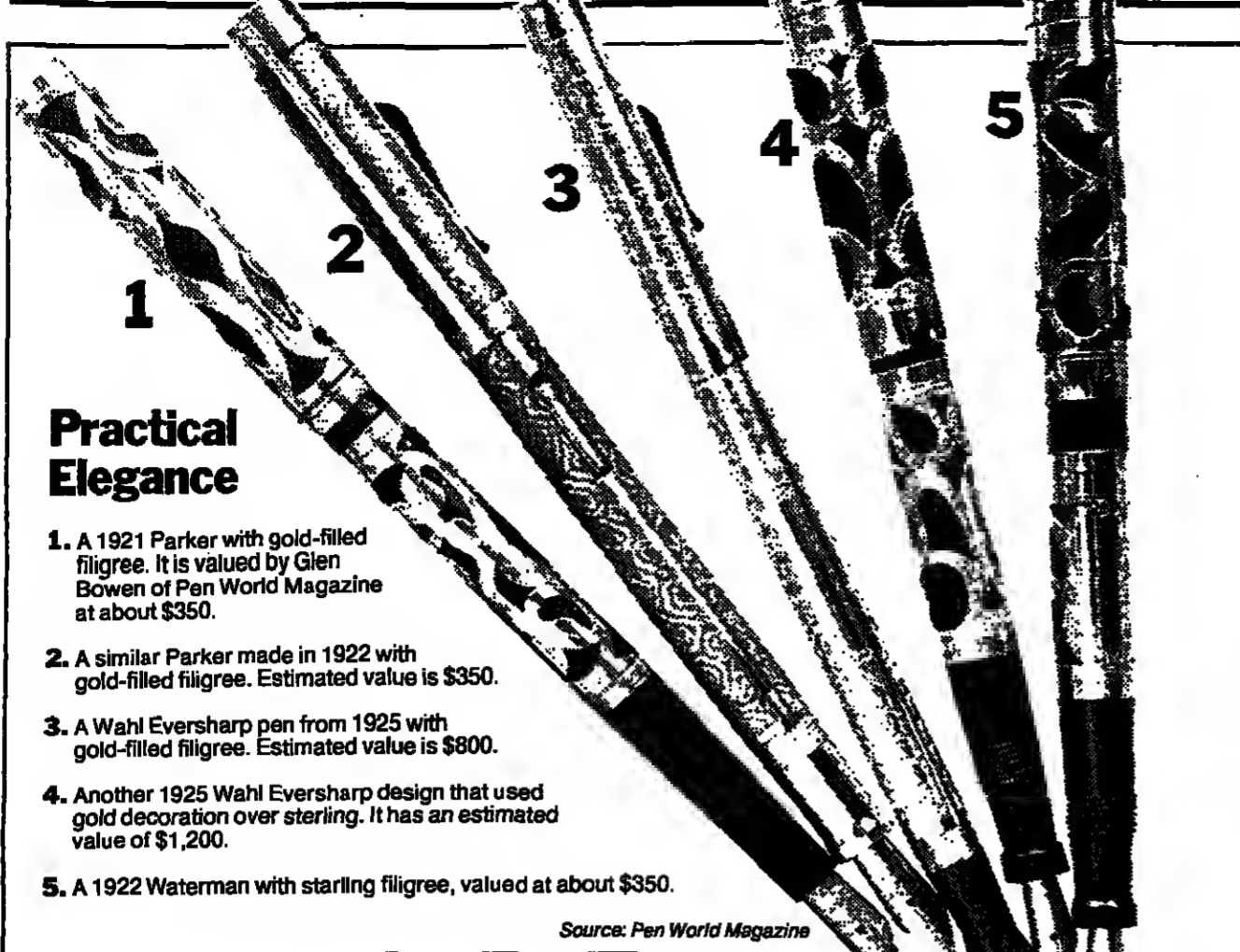
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COLLECTING



Practical Elegance

1. A 1921 Parker with gold-filled filigree. It is valued by Glen Bowen of Pen World Magazine at about \$350.
2. A similar Parker made in 1922 with gold-filled filigree. Estimated value is \$350.
3. A Wahl Eversharp pen from 1925 with gold-filled filigree. Estimated value is \$800.
4. Another 1925 Wahl Eversharp design that used gold decoration over sterling. It has an estimated value of \$1,200.
5. A 1922 Waterman with startling filigree, valued at about \$350.

Source: Pen World Magazine

Fountain Pens' Fashionable Comeback

By Suzanne Vasylionis

REMEMBER fountain pens? They may seem an oddity to members of younger generations who were reared on ever-sophisticated versions of the ball-point and may never have even seen a bottle of ink. But as the price and popularity for antique and new fountain pens increase, they are becoming as much a symbol of status as Rolex watches.

Marilyn Brown at the International Pen Shop at Arthur Brown and Brothers in New York says businessmen are color coordinating fountain pens with suits. Moreover, she claims the style of writing produced by fountain pens carries a certain air of prestige nowadays. After all, government figures sign treaties and other documents with \$250 Masterpiece Montblanc pens.

Gene Eckholt of Ken's for Pens in Lincoln, Nebraska, says there are four times as many pen collectors as there were five years ago. And prices have increased dramatically because the supply of antique pens in mint condition is limited. Many antique pens, he notes, were destroyed when gold prices were high and people sold the gold nibs, or points, that were common among finer fountain pens. The average prices paid for a rare antique

fountain pen ranges from \$500 to \$3,000, according to Glen Bowen, publisher and editor of Kingswood, Texas-based Pen World, the only existing magazine focusing on old and new fountain pens. Prices for pens that do not meet the standards for rarity but are in good condition and are usable, can range from \$50 to \$500.

In general, antique fountain pens and new fountain pens, which are modeled on the old designs, often are equal in value. And sometimes the newer versions are worth more. For example, a new solid gold Montblanc can cost up to \$7,000, while an antique Montblanc usually costs \$1,000 at most because it has less gold content.

The highest price paid for an antique fountain pen in the last few years was \$7,500. Collectors have named it the "Pen of Pens" because it is a one-of-a-kind 1920's Parker pen, decorated with diamonds.

Collectors look for quality. Indeed, it is very important that a pen not only look attractive, but is still functional. A fountain pen has little value to serious collectors if it is not usable or is missing parts. If the pocket clip or nib is missing or damaged, the value will go down considerably. And new parts tend to bring down the value.

Still, antique pens are clearly more eye-catching. They predate 1940 and were hand-

made — often carved from plastic or rubber. Elaborate designs were common, and the 1920s has emerged as the most popular period because of the unusual metal overlays that were produced, as well as the quality of manufacture.

Among the most popular brands to look for are Sheaffer, Parker, Waterman, Wahl-Eversharp and Conklin.

Mr. Eckholt of Ken's for Pens says that Parker, in particular, experimented with exotic designs during the 1920s. The Parker Snake Pen, which has a filigree overlay in the shape of a snake with emeralds for eyes, is especially unusual and sells for about \$3,500.

Color is also important when judging the value of a pen. According to Mr. Eckholt, red pens always fetch a premium. They are rare because the chemical process to color the plastic red also made it more fragile. Many were damaged by their original owners, and experts reckon that there is only one red pen for every 99 antique black pens in existence.

Mandarin yellow pens, first offered by Parker, whose founder came across the unusual hue in China, are also in demand and can be worth between \$300 and \$750.

Pricing a pen can be difficult, however. Pens are usually bought and sold by dealers or collectors at pen shows.

STRATEGY

Making a Case for Canada

AFTER SEVEN years of economic expansion few would disagree that industrialized nations are facing the latter stages of a business cycle. Capacity is being stretched and the raw materials for industrial use are moving up in price. Yet Canadian shares, which include some of the biggest natural resource stocks in the world, continue to languish.

The Toronto Stock Exchange composite, the TSE 300, which should do well at a time when global capital spending is creating supply shortages in lumber, metals and petrochemicals, has lost nearly 5 percent of its value in the past two months and is up a slender 4 percent in 1988. This has occurred despite annual earnings, which have doubled in the last two years, gone up 14 percent in the last two quarters and are expected by most analysts to rise a further 10 percent before the year is out.

Canadian market analysts blame the seeming contradiction between soaring corporate profits and a lackluster stock market on rising interest rates. As rates go higher, many investors believe that Canada is headed for a major slowdown or recession next year. More immediately, the rise in rates has produced yields of about 10 percent in the bond market. That's a distracting return and it has led investors to focus on bonds and neglect stocks," says Subodh Kumar, portfolio strategist for Wood Gundy, the Toronto-based investment firm.

Typifying the recent fortunes of natural resource stocks, the base metals led the market in a May and June rally when interest rates were flat, only to hit the skids in July and August, declining more than 8 percent as interest rates rose about three quarters of a percentage point.

Still, Mr. Kumar and other market analysts believe that investor fears are overblown and that a fall in interest rates early next year will not only bring people back to the market but will spark a significant rally that will be stronger than upticks on other exchanges. Indeed, with the market price-earnings multiple at 11.5 — its lowest point ever in a period of single-digit inflation — investment firms are urging clients to scoop up Canadian equities.

The experts are predicting the composite will rise from its current 3,278 to about 4,000 within the next 12 months for a 22 percent gain.

Even the minority Liberal Party's opposition to the free trade agreement with the United States, which was approved by the House of Commons, is not expected to affect the market, although experts fear it may have an impact on the Canadian dollar. The Liberals, who control the Senate, have vowed to continue opposing the agreement unless they lose the next election, which must be held by September 1989.

One natural resource sector that most analysts feel will underperform the Canadian market in coming months is oil and gas. A recovery in crude oil prices in the first half of the year has left these stocks with an impressive year to date gain of 14.9 percent despite slipping share prices in July and August.

Any renewed surge in this sector is unlikely, however. The end of the Iran-Iraq war is expected to

August Market Scoreboard

	Percent Change	Price Aug. 31	Percent Change	Price Aug. 31	
New York Stock Exchange:					
Compiled by Media General Financial Services. Prices in dollars					
Burdry Corp.	+67	18.00	Artra Group Inc.	-41	24.25
Foodmaker Inc.	+57	18.88	Barrco Corp.	-31	25.50
Insilco Corp.	+57	31.13	Wyse Technology	-29	14.25
Best Buy Co.	+52	12.38	Home Owners S & L	-24	10.38
Gould Inc.	+49	22.50	Grant Group Ltd.	-22	12.25
Wickes Companies Inc.	+42	14.00	Anchor Glass Cont.	-20	12.38
U.S. Shoe Co.	+38	25.63	Copperweld Corp.	-20	17.63
Lamson & Sessions Co.	+37	15.25	Russ Berne & Co.	-20	16.75
IPCO Corp.	+34	12.38	IMO DeJaval Inc.	-19	13.75
Varo Inc.	+33	26.38	EDO Corp.		
American Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen					
Tri-State Motor Trans.	+37	17.25	MacNeal Schwender	-25	10.00
Woodstream Corp.	+36	16.50	Insteel Industries	-24	10.50
Int'l. Recovery Corp.	+28	11.50	NS Group Inc.	-20	10.88
Forest City Entpr. (A)	+22	42.50	Solar Pharm. Inc.	-20	18.75
Mitchell Energy & Dev.	+22	12.38	Arndahl Corp.	-19	40.00
Over the Counter:					
Spectramed Inc.	+143	11.88	AST Research	-35	10.63
Schroders	+61	13.25	Envirodyne Ind.	-27	26.50
Diversified Invest.	+60	14.00	Northwestern States	-22	14.25
Harvard Industries	+52	12.00	Dioson Electronics	-20	11.75
Enseco Inc.	+52	11.00	Integrated Device Tech.	-20	11.75
London Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen					
Plasurama	+6	206	BSR International	-34	66
Schroders	+6	950	Farnell Electronics	-19	146
Scottish & Newcastle	+5	338	LASMO	-19	382
De La Rue	+4	478	Bowthorpe Holding	-18	148
Amersham International	+4	610	London International	-18	236
British Aerospace	+3	486	Ashley (Laura) Holdings	-15	253
Dowty Group	+3	211	United Biscuits	-15	241
Lovvito	+3	247	Jaguar	-15	205
Bat Industries	+2	440	Storehouse	-15	205
Wimpey (George)	+1	233	Johnson Matthey	-15	306
Tokyo Stock Exchange:					
Compiled by Morgan Stanley Capital International. Prices in yen					
Mitsubishi Oil	+52	1,140	Mitsui Shipbuilding	-19	573
Descente	+42	1,150	Kawasaki Heavy Ind.	-19	574
Kalihin Elect. Express	+25	1,400	Hitachi Zosen	-17	405
Settsu	+17	1,090	Nippon Steel	-16	656
Tokyu Land	+17	1,090	Sanyo Electric	-15	672
Furukawa Co.	+17	618	Victor Co. Japan	-15	2,000
Mitsubishi Mining	+15	737	Hitachi Ltd.	-14	1,670
Sumitomo Heavy	+14	769	Kobe Steel	-14	498
Takashimaya	+14	2,550	Ishikawajima-Harima	-14	980
Noritake	+14	1,230	Kawasaki Kisen (Steam)	-14	340

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3RD PRIZE 4 OUT OF 6	716	\$3,704.70
4TH PRIZE 3 OUT OF 6	48,917	\$138.30
5TH PRIZE 2 OUT OF 6	955,112	\$10.00
TOTAL PRIZES	1,014,756	TOTAL PRIZE VALUE \$27,443,228.10

*All prizes quoted in Canadian dollars.
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put a cap on oil and gas shares for the foreseeable future. And weak prices will not help oil and gas distributors, known as pipeline stocks, either.

One pipeline, though, remains popular with analysts. Nova saw 70 percent of its business shift to the petrochemical field with its acquisition of Polysar, a major producer of ethylene and polyethylene, earlier this year. Both John Rohr, market strategist at the Toronto investment firm Scotia Macleod, and John D'Angelo, an analyst at Merrill Lynch Canada, believe that Nova is undervalued at roughly 8 times 1988 earnings.

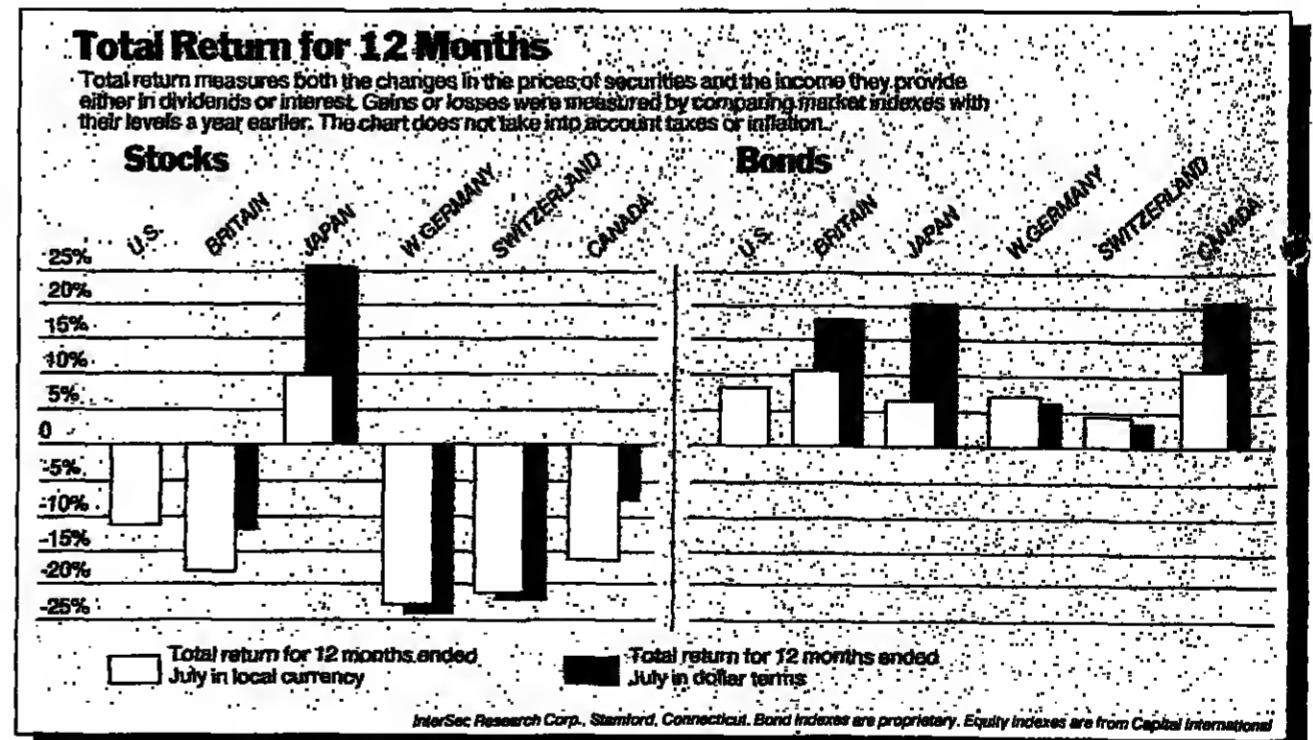
Burns Fry, the Toronto brokerage house, also likes Nova and predicts that ethylene and polyethylene prices will rise 86 percent and 43 percent, respectively, by year end. A further rise of more than 10 percent is expected for each chemical in 1989.

But not everyone considers Nova a "buy." Lyle Stein, a portfolio strategist with Nesbitt, Thomson, Deaton, another Canadian brokerage, recently pulled the stock from his recommended list, citing the stock's 30 percent appreciation from March to July and heavy leverage as a result of the Polysar purchase. "It is not a stock for the conservative investor," notes Mr. Stein.

Among base metal stocks, those most in favor are nickel producers like Inco and Falconbridge. The lack of expansion plans in the nickel industry is likely to keep demand high. Inco profits have increased more than tenfold in two years and with a price-earnings multiple of 4.5 for 1988. It is a virtually unanimous "buy" among Canadian investment houses.

Falconbridge has seen a similar increase in profits and trades at a multiple of 5.9, but an ambitious stock buyback program has increased its debt load and made it a slightly less attractive purchase. Aluminum and zinc producers are also widely expected to show record earnings this year, yet the outlook is cloudier because of expansion plans and worries of excess capacity sometime in 1989.

The prospects for gold may not glitter enough to give investors comfort. As a group, gold stocks



Trend Reversals Jolt the Futures Funds

Continued From Page 7

quest sharp and short reversals in currency futures as the dollar climbed made the identification of a clear trend even harder for many advisers.

It is hardly surprising, considering these choppy markets, that the best performers of the past year do not simply follow trends but try to anticipate them with a healthy dose of fundamental analysis. Or, in the case of the currency markets, they trade according to computer programs with stop-loss parameters wide enough to ride out short-term volatility.

Paul Tudor Jones, an investment adviser whose funds have not seen a down quarter in four years of existence, pulled out the best 12-month return through July. His Tudor Futures Fund advanced 148 percent, driven in part by long positions on the dollar and going short on bonds.

Although Mr. Jones depends on the computer to help identify trends, he also studies fundamentals. A spokesman for the fund, Dean Harwood, says they believe the most active futures markets for the rest of the year will be in currency, bonds and the Tokyo stock market. "We don't perceive clear advances or declines in any of these areas," he says. "We just think they will be the most volatile, and that's when we make our money."

Charles M. Wilson, manager of the Wilson Fund, makes all initial investment decisions on the basis of fundamentals and is thus a rarity among commodity fund advisers. His fund, ranked second to Mr. Jones', achieved a 12-month return of 100 percent.

Profits were built on shorting cattle in June and going long on grain. While grain prices rose, cattle prices fell as financially pressed farmers sold their herds for funds that might see them through this summer's drought. Sugar, which doubled in price in May and June — the result of large Chinese buying — also helped the fund climb into the black.

While Mr. Wilson's year-to-date return remains an impressive 115 percent, his performance would have been even stronger if grain prices had continued to rise. Mr. Wilson anticipates a continued sell-off in grains followed by a price rise once fall harvests are complete and the full extent of drought damage is known.

Cornerstone Fund IV, offered through Dean Winter Reynolds, came in third in the 12-month rankings, showing a 72 percent return. The fund, which exclusively trades currencies, has appreciated 36 percent since the first of the year. According to Dean Winter Reynolds, much of that money was made by long positions on the dollar and short positions on foreign currency. The fund also profited from cross rates in the foreign currency market. For example, last spring the fund followed a lucrative rise in the British pound's value versus the Deutsche mark.

The fund trades almost wholly on technical programs, but clearly has stop-loss parameters well-tuned to this year's roller coaster markets.

As for predicting future trends in the currency market, Cornerstone managers are at a loss for words. Like most commodity funds, they follow the ups and downs of markets rather than predict them.

David C. Lanchner

BOURSES

U.K. Probe Clouds Outlook in Brewery Stocks

Longer hours in the pubs seen benefitting stocks in the long run.

By Marybeth Nibley

TO THE CASUAL observer, the British government's decision last month to extend the hours that the pubs can remain open should have cheered stocks in the nation's publicly traded brewers. But instead of a rally, their shares have mostly languished.

The ambivalence analysts say stems from a government inquiry into beer retailing practices that began in 1986 and is expected to end early next year. And the ensuing debate about the possible outcome of the Monopolies and Mergers Commission investigation has restrained enthusiasm for the sector.

"I think overall we would be mildly positive on the sector with a hint of caution," says Eric Frankis, who tracks the industry for Phillips and Drew. Kevin Feeny, a drinks industry specialist at Warburg Securities, adds: "The outlook for the industry as a whole is dominated by the commission report. The effect it might have on the domestic industry has cast a shadow over all the stocks."

Licensed public houses in Britain fall into two broad categories: "tied" and "free houses." Government investigators are looking into the monopolistic aspects of the tied-house system by which brewery-owned pubs, clubs and hotels exclusively sell the owners' brands.

More than half of the roughly 80,000 pubs, hotels and private clubs that serve beer are tied to a brewery. And in many cases, the so-called free houses are, in effect, tied to an individual brewer's products through special pricing or other kinds of agreements common in the industry.

Although the government has been eager to end such practices, many experts have argued that abolition of the tied-house system would not necessarily yield the standard benefits espoused by free marketers. Dismantling the system, they contend, could leave regional and smaller breweries vulnerable to competition from bigger concerns that have the financial clout to muscle into local markets. This could put breweries out of business, meaning fewer brands for consumers and higher prices.

Regardless of the drawbacks, changes in the system seem almost inevitable given the commitment to freer competition under the government of Prime



Quaffing a pint at the White Horse Pub in London near Fleet Street.

Minister Margaret Thatcher and the spirit of pan-Europeanism gaining strength as European Community members move toward a more integrated market.

Speculation centers on a number of compromise solutions. Pubs might be sold or swapped so that certain breweries would no longer have geographic domination in certain areas of the country. Measures, such as compulsory stocking, might be introduced to preserve lesser-known regional brands.

Susan Leslie of Merrill Lynch Capital Markets is among the analysts who believes that the depressing effect that the upcoming inquiry has had on the sector is largely unjustified. Some companies would thrive if all public houses were free to serve whatever they wanted to serve, she contends.

Keeping in mind the value of retail outlets owned by brewers, she notes that the brewers' stocks often trade at a substantial discount to their asset value. Moreover, the recent decision to extend pub hours is bound to benefit public houses.

Starting last month, pubs in England and Wales may stay open for 12 hours a day, from 11 A.M. to 11 P.M., except on Sundays, when they may stay open another hour in the afternoon until 3 P.M. Previously, establishments had to close between 3 P.M. and 5 P.M. on weekdays and Saturdays and between 2 P.M. and 7 P.M. on Sundays. (Scotland relaxed the rules in 1976.) The restrictions curtailing afternoon hours had

been in force since World War I, when the control of drinking was deemed a prudent move in the interest of the war effort.

If the experience in Scotland is any guide, alcohol sales are not expected to boom because of the lengthier trading day. But Kenneth Dunjohn, spokesman for the Brewers Society, says removal of the restrictions will put pubs on more equal footing with competitors, such as fast-food eateries. "Trade in pubs but not in beer will grow," says Mr. Dunjohn. "We don't anticipate that the increased hours will lead to higher sales of alcohol."

The real beneficiaries may be breweries that have been spending heavily on refurbishing their retail outlets in hopes of attracting a class of clientele with plenty to spend on eating and drinking with disposable income and leisure time on the rise in Britain.

To appeal to customers who in many cases may be more interested in sipping wine than in quaffing pints, pubs have been upgraded. At the Scarsdale Tavern in the fashionable Kensington neighborhood of London, manager Fred Hill notes that the pub is now equipped to serve teatime fare, including scones and jam, to afternoon patrons.

Demanded for the expanded service, and for the more standard pub beverages, was slow just after Aug. 22 when the restrictions were lifted. But like

most other pubs, the Scarsdale, which is owned by Grand Metropolitan PLC, intends to stay open all day on a trial basis before deciding whether the extra receipts are enough to justify extra overhead costs.

The National Licensed Victuallers' Association predicts that about half of the pubs in England and Wales will stick to the old hours.

Given such uncertainties, analysts say investors interested in the sector should ignore regional brewers and focus their attention on the major companies. These include Allied Lyons PLC, Bass PLC, Grand Met, Guinness PLC, Scottish and Newcastle PLC and Whitbread and Co. PLC.

Michelle Proud, an international drinks industry analyst with County Natwest, says Bass is at the top of her list. Long considered the blue-chip of the sector, Bass has demonstrated adeptness at both brewing and distributing. It also controls about 25 percent of the larger market, the fastest-growing segment of Britain's beer industry.

IN ADDITION, its management, she says, is well regarded and the acquisition of Holiday Inns International, which was finalized last May, gives Bass a bigger presence in the important leisure industry.

Still, Ms. Proud acknowledges that market's enthusiasm for Bass has been tempered because the Holiday Inns purchase will dilute earnings in the near term and also by the perception that Bass may suffer if the government decides to modify the tied-house system.

Ms. Proud's other picks are Grand Met and Guinness. Acquisition and reorganization have transformed Grand Met into a food and spirits giant with a long list of widely recognized brands in its portfolio. However, some analysts are wary of buying Grand Met stock because of its current takeover battle for Irish Distillers Group PLC.

Guinness also have undergone a transformation and new management have been praised for laying the basis for steady earnings growth in the next few years. Sceptics are still wary, however, about the financial impact of the scandal over Guinness' takeover of Distillers.

In the view of other analysts, Allied Lyons stock has been looking attractive. And there is also the possibility that it could become a takeover target. The Bond Corp. currently holds about a 7 percent stake in Allied Lyons.

Whitbread is another stock considered undervalued by some analysts who have been encouraged by the company's North American acquisitions. Admirers also liked Whitbread's push into the retailing segment of the drinks market. It owns Pizza Hut in the United States and TGI Friday restaurants in Britain.

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REAL ESTATE

Reassessing U.S. Farmland: Potential Buyers Less Eager

The drought setback may be temporary.

By Elena Bowes

BY 1987 MOST experts agreed that the five-year slide in farmland values had finally come to a halt. For the first time since 1982, the average value of agricultural property rose. Land values rebounded a modest 3 percent to \$564 an acre and net farm income reached record highs. Then came the drought of 1988.

Suddenly, the fundamentals that were behind the resurgence in farmland values seemed inconsequential. And even though most experts doubt that this year's drought marks the beginning of a long dry spell, prices stalled.

"The predominant buyers of land are active farmers adding onto their existing units," explains Lawrence Leistritz, a professor of agricultural economics at North Dakota State University. "The drought makes them less eager."

Indeed, the mood of potential buyers is considerably less ebullient than earlier this year when strong export demand, lower production costs, direct federal aid and rising income levels continued to buoy the price of farmland.

Randall Hertz of Hertz Farm Management, a real estate concern in Nevada, Iowa, that specializes in farmland, remembers how "red-hot" the market was last winter. "A lot of properties sold above their listing price because the market was moving up so rapidly," he says. By some accounts, top quality farmland appreciated 30 percent in Iowa, 20 percent in Illinois and 15 percent in Indiana and Ohio since 1986's market low.

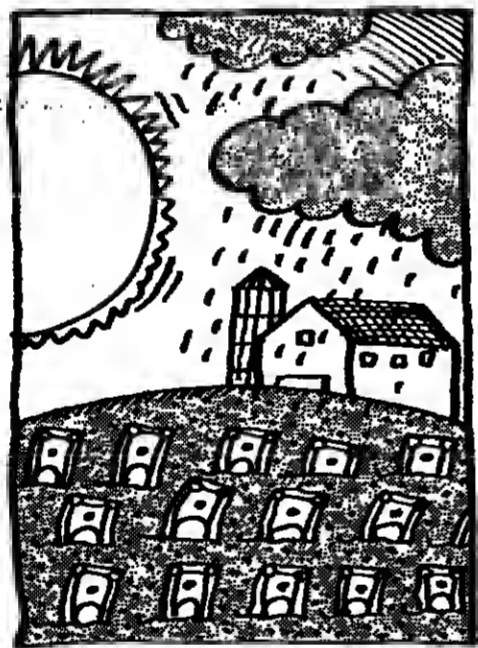
Mr. Hertz does not expect the slow turnover that has gripped the market in the last couple of months to materialize into lower prices for farmland immediately. Similar to last year's predictions that the stock market crash would take six months to a year to affect the prices of New York's residential real estate, Mr. Hertz thinks that the "day of reckoning" will take a bit of time. "It takes a little while for the fear to sink in," he says.

Some experts contend there already is evidence of lower land prices in the areas hardest hit by the drought. These include the ranchlands of Montana, grazing lands of the Great Plains, most of the Dakotas and the heart of the corn belt. The drought has already pushed values of the poorer tilled lands down by 15 percent, they say.

But this might be only a temporary setback. The price of farmland is closely tied to farm income, and commodity prices rose sharply in response to the drought. The U.S. Department of Agriculture estimates that this year's crop receipts will be \$6 billion more than 1987's level, with half the increase due to above 1987's level, with half the increase due to inflated prices as a result of the drought. Philip Raup, a professor of agricultural economics at the University of Minnesota at St. Paul claims to know "farmers who will have the highest incomes of their careers this year."

Moreover, many farming areas in the United States escaped the ravages of the drought. Farming communities in the south central and southeastern United States fared relatively well and the upward trend in farmland prices continues. Prices in Grayley County in western Kansas have improved 15 percent over the last six months, according to Benedict T. Palen Jr. of Palen Farms, a Denver-based real estate farm management concern.

"It's not a year in which you want to plunge in any one direction," says Mr. Raup, warning that the final



Shawn Goldberg

effect on land values is not certain and will probably be spotty.

One gauge, however, will be the Department of Agriculture's report on the drought's impact on crops during August, which is scheduled for release Monday. In addition, experts believe that a dry autumn and winter could further upset the market for farmland.

Nevertheless, experts note that investing in farmland has always called for a long-term commitment. James B. Candless of AgriVest, a Glastonbury, Connecticut firm that specializes in farmland investment, tells investors that they should be prepared to hold the property for 7 to 10 years.

Indeed, major institutional leaders have acquired, primarily through foreclosures, about 8 million acres of farmland, valued at \$3.8 billion, according to researchers at the Department of Agriculture. This should keep a lid on prices, at least in the short term.

Also, "there is still a lot of government subsidy being bid into farmland prices. If Europe and the U.S. can agree on some lower farm subsidies then you'll see some downward pressure on prices," says Alan Barkema, an economist at the Federal Reserve Bank of Kansas City.

TIME IS NOT the only requirement. An investor needs at least \$10,000 "to make the investment meaningful," says Mr. Palen. And even at \$10,000, Mr. Palen recommends going in with some partners "to buy three or four properties with different attributes to spread the risk."

In general, an individual interested in farmland has three kinds of limited partnerships from which to choose. In custom farming, the riskiest and potentially most rewarding strategy, the investor pays all the farm's expenses and reaps all its rewards. Less risky and less profitable are crop share leases, or bushel leases. With this method an investor shares the costs with the landowner and gets a percentage of the crops' return.

Both custom farming and the crop share lease benefit from higher commodity prices. They also suffer from price declines. As a precaution, Mr. Palen advocates hedging with commodity futures market, as well as investing in crop insurance.

The third and most conservative choice, the cash lease, makes no attempt to bet on commodity prices. Investors selecting this form of partnership only bet on the eventual capital appreciation of the land. □

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Sept. 8

Dollar Straights

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France

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy. Includes entries for various French issuers.

Germany

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy. Includes entries for various German issuers.

Japan

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United Kingdom

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Supranational

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United States

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Yen Straights

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy. Includes entries for various yen-denominated issuers.

Canada

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Yen Straights

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Mutual Funds

Figures as of close of trading Friday

Sept. 9

NEW YORK (AP) -

The following mutual funds reported their

net asset values as of the close of trading

Friday. The funds' net asset values

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Japan

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

United Kingdom

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

Supranational

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

United States

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

Yen Straights

Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

are shown in dollars, unless otherwise

indicated. The funds' net asset values

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indicated. The funds' net asset values

Euromarts At A Glance

European Yields

Table showing European yields for various countries and maturities.

Source: Luxembourg Stock Exchange

Weekly Sales

Table showing weekly sales for various countries and currencies.

Source: Euroclear, Credit

DM Zero Coupons

Table showing DM zero coupon yields for various maturities.

Source: Euroclear, Credit

ECU Straights

Table showing ECU straight yields for various maturities.

Source: Euroclear, Credit

Dollar Zero Coupons

Table showing dollar zero coupon yields for various maturities.

Source: Euroclear, Credit

DM Straights

Table showing DM straight yields for various maturities.

Source: Euroclear, Credit

WestLB logo and text: Fixed Income and Equities Trading - for dealing prices call:

Düsseldorf Westdeutsche Landesbank, Head Office, P.O. Box 1128, 4000 Düsseldorf 1

London Westdeutsche Landesbank, 41, Moorgate, London EC2R 8AE/UK

Luxembourg WestLB International S.A., 32-34, boulevard Grand-Duchesse Charlotte

Hong Kong Westdeutsche Landesbank, BA Tower, 38th Floor, 12 Harbour Road

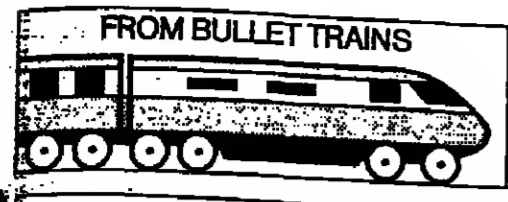
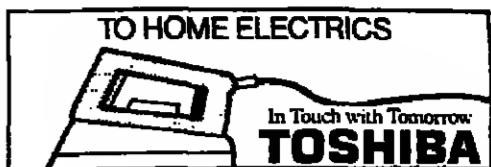
One of the leading Marketmakers WestLB Westdeutsche Landesbank

DM Straights Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

DM Straights Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

DM Straights Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.

DM Straights Table with columns: Issuer, Con, Mat, Price, Yld, Bid, Ask, Trfy.



MONDAY, SEPTEMBER 12, 1988

WALL STREET WATCH

A Year After the Collapse: Methods for Cutting Risk

By CAROLE GOULD

NEW YORK — As the anniversary of Black Monday approaches on Oct. 19, investors are reviewing their stock portfolios, assessing the past year's performance and charting a course for the future. But given the uncertain economic outlook and the looming presidential election, many people want to minimize risk without abandoning the market. Here are some ways to do that:

Dollar-Cost Averaging. This timing technique, carried out through brokers or mutual funds, is designed to smooth stock-market fluctuations over time, rather than having investors try to time market movements. Using this strategy, investors put equal amounts of money into instruments at regular intervals. Because the per-share prices rise and fall, investors buy more when the price is low and less when it is high.

Stop Orders. Stop orders — used to protect a profit or to limit a potential loss — are placed, through brokers, at a price below the stock's current market price. When the stock drops to the specified price, the shares are sold at the best available price. In effect, someone is always watching market movements on your behalf. The rule of thumb is to place a stop order that limits the loss on an investment to 10 percent. For example, someone buying shares at \$50 each would place a stop order that would be activated when the price fell to \$45.

TO BE SURE, a stop order is not a guarantee that shares will be sold at the price specified. In an active market, securities may be sold below the specified price. In some cases, an exchange may halt trading on a stock, say, because of a pending announcement, and when it is reopened, its price is lower than the stop price. During instances of wildly fluctuating prices, an exchange may take the rare step of suspending stop orders. **Stop Limit Orders.** Like a stop order, a stop limit order instructs a broker to sell shares when they reach a specified price. But the shares can be sold only at that price, not the best one available. Investors thus run the risk that, if trading on a stock is halted and reopens at a price below the stop limit order, the shares will not be sold at all. **Covered Calls.** One way to protect against declining stock prices without actually selling the shares is to sell call options on them. This is a strategy for investors who believe that a stock has good long-term potential but expect the market to fall. With a covered call, you sell, in the open market, the right to buy 100 shares at a predetermined "strike" price for a specified period. You are paid a premium for that right, and you keep the premium whether the buyer exercises the call or not. For example, you buy stock selling for \$50 a share, and simultaneously sell a call, allowing someone to purchase the shares for \$50 within a specified time, usually three months. You receive a premium, determined by the market, say, of \$5 a share. Three months later, the price drops to \$46. But your \$5 premium more than offsets the \$4 price decline. If the stock falls sharply, the premium offsets the first \$5 of loss. The risk is that you forfeit opportunities for price appreciation above the strike price. If stock rises, the call will be exercised. **Put Options.** What happens if you want to keep the stock but want to protect yourself because you expect the market to drop? Another way to hedge a portfolio is to buy put options, which give you the right to sell stock at a fixed price before a specific expiration date. If the stock price falls, most likely you will sell the put, which is now worth more, thus offsetting the loss on the stock. In effect, a put is like the premium you pay to insure your car," said Richard Donsky, executive director of options for Shearman Lehman Hutton. For example, assume someone sells shares for \$100 each. The investor pays a \$10 premium to buy a put, insuring that, no matter what happens in the market, the shares can be sold at \$100. If the price rises, the puts are worthless, but the investor has a profit on the stock.

Currency Rates

Table with columns for Country, Currency, and Rate. Includes sub-sections for Cross Rates and Other Dollar Values.

Forward Rates

Table with columns for Currency, 30-day, 60-day, 90-day, and 180-day rates.

Last Week's Markets

Table with columns for Stock Indices and Money Rates, showing changes from Sept. 5 to Sept. 9.



A Ford Mustang convertible being assembled at the C&C plant in Brighton, Michigan: A trend that is re-creating a U.S. industry.

Engineering a Custom Car Comeback

By John Holusha

BRIGHTON, Michigan — A new Ford Mustang convertible rolls off the assembly line here every few minutes, ready to be shipped to a Ford dealer for sale to someone who thinks the sunshine and wind in their hair is worth an extra \$4,000. But this is not a factory of the Ford Motor Co. Along an adjacent line, cars and minivans produced by Chrysler Corp. are being modified for shipment to Europe. And in another shop, floor pans are being fabricated for the limited line of four-wheel-drive Pontiac 6000s. The factory is operated by C&C Inc., formerly known as Cars & Concepts. The Brighton-based company, and several others, though small by Detroit's standards, now occupy an important place in the Big Three automakers' approach to niche markets. By using outside companies to convert basic models into such eye-catching variations as convertibles, the larger companies can offer low-volume models without burdening their factories with additional complexity and cost. "When we decided to re-enter the convertible market, it just made sense to outsource it, due to the low volume," said David Krupp, a Ford spokesman. "It simplifies the manufacturing process to do it outside."

The other major company is ASC Inc., the former American Smurf Co. The companies make the convertibles sold by General Motors Corp. and Ford, as well as manufacturing other specialty vehicles. Neither company reports its financial results: ASC is a private company, while C&C is a subsidiary of Masco Industries, which is based in the Detroit suburb of Taylor. Both say their annual revenues are in the range of \$100 million to \$200 million, and most of their growth has been over the past eight years.

The companies are well on their way to re-creating an industry that disappeared in the 1920s as the Big Three absorbed their suppliers' custom coachbuilding. Others are expected to enter the field shortly. Some models that survive to this day, like the Cadillac Fleetwood and the Chrysler LeBaron, are derived from once independent suppliers of car bodies. One of the best-known labels in the industry, the "Body by Fisher" designation that appears on most GM cars, comes from the former Fisher Body Co., which had established a reputation for outstanding quality in the formative years of the industry. Coachbuilders survived in Europe, though, and are an integral part of the automobile industry there. Companies such as Pinfarina

and Bertone in Italy and Wilhelm Karmann GmbH in West Germany, design, engineer and manufacture specialty models for the major companies. The Volkswagen Rabbit convertible, which is produced by Wilhelm Karmann, is one example. And when GM's Cadillac division wanted some Continental charm for a high-priced two-seater, it turned to Pinfarina to help design and manufacture the body for its Allante model. The current trend toward model proliferation and the consequent declining sales volumes for each have created a need for an American coachbuilding industry. For the big automobile makers, "the trick is how to make money at lower volumes," said David Cole, the director of the Office for the Study of Automotive Transportation at the University of Michigan in Ann Arbor. "It's awfully tough at 5,000 or 10,000 a year, but the manufacturers know they need specialty products in their showrooms," he added. But as Gerald M. Jusco, the vice president for business development at ASC, noted, producing cars in small volume is not the forte of the automobile giants. "GM thinks in modules of 250,000 cars at a time," he said. "They need big plants and economies of scale to See AUTOS, Page 15"

Verity Says U.S. Firms Slow to Move in Japan

By David E. Sanger

TOKYO — On what is likely to be the Reagan administration's last major trade mission to Japan, Commerce Secretary C. William Verity Jr. appeared more critical of American corporate efforts to market in Asia than of the remaining Japanese barriers to doing business here. "We are still not oriented to a world market," Mr. Verity said of American companies during a breakfast with reporters Saturday. "If you are part of the world's largest free market, you feel that if you can make it in America, you have it made. That's not true anymore." Mr. Verity's comments appeared to reflect frustration among administration officials that many American companies, from construction firms to automobile manufacturers to makers of consumer goods, have yet to take advantage of the weak dollar or several of the agreements signed in recent months to liberalize Japan's markets. Mr. Verity seemed particularly concerned about the reluctance of construction companies to bid for work on the Kansai airport near Osaka, one of Japan's biggest public works projects. The American construction industry had complained it was systematically excluded from the project. After lengthy negotiations, with Japanese officials at first dismissing the possibility of American involvement in the project, an agreement was reached under which foreign companies could bid on \$17 billion of construction. So far, however, there have been

few bids from Americans. Mr. Verity quoted a senior official of Japan's Transportation Ministry as saying, "You'd better move faster, because the Koreans are moving in." A reference to the large number of South Korean construction firms vying for the airport project. "We opened up the market for Koreans, which is what we do all the time," Mr. Verity said. Mr. Verity is accompanied on his trip by 25 industry executives, most representing consumer-goods companies, which are attempting to bring their products to the Japanese. The companies range from Knott's Berry Farm Foods, which is hoping to sell jams in Tokyo food stores, to Pacific Seacraft Corp., a maker of large yachts. In fact, many of the companies are makers of goods worth thousands or hundreds of thousands of dollars, saying that Tokyo is now the Mecca of high-tech items. "The Japanese economy is booming," said Mr. Verity. "Everything about it is strong and healthy. The only paradox is that the Japanese consumer has not benefited from it. We are trying to convince them that they want a choice." Mr. Verity blamed much of the lack of a Japanese consumers movement on the country's complex distribution system, which drives up costs and is tailored to small stores instead of large retailers. "We hear case after case of Japanese tourists coming home from trips with Japanese-made cameras that sell for far less abroad," said Mr. Verity. "That's ridiculous. Something is wrong here."

Seoul Expects Trade Surplus To Rise Above \$11 Billion

Agence France-Press

SEOUL — South Korea's current-account surplus is expected to reach more than \$11 billion this year, about \$1.5 billion over what the government wanted, the Bank of Korea said Sunday. The central bank said that the surplus was \$6.07 billion in the first half of the year and forecast that it would grow by \$5 billion in the current six months. The government had tried to hold the surplus to \$9.5 billion. Last year's surplus was \$9.85 billion. The International Monetary Fund had strongly urged Seoul to bring the figure down to about \$5 billion this year. According to the Bank of Korea, the nation's total merchandise exports for 1988 will reach \$57 billion, up 7.4 percent over last year.

while total imports will be \$48.7 billion, up 26.2 percent. The bank said that the surplus in nonmerchandise trade, such as tourism and insurance, is expected to rise to \$2.7 billion from last year's \$2.2 billion. It added that the overall capital-transactions sector would register a \$1 billion deficit this year, a sharp decline from last year's \$5.85 billion shortfall. Separately, officials said South Korea's Trade and Industry Ministry would enforce more control over exports to the European Community in order to avoid trade frictions. They added that Seoul had decided to expand direct investment in EC countries by building components plants there. They said South Korea was especially interested in investing heavily in the free trade zone that Ireland has set up exclusively for South Korean enterprises.

Maxwell Ready To Offer More For Macmillan

By Geraldine Fabrikant

NEW YORK — Robert Maxwell, the British publishing entrepreneur, has said that he is prepared to raise his bid for Macmillan Inc. to \$84 a share under certain conditions, it was disclosed Sunday. At that level, the bid would value the publishing group at \$2.2 billion. Earlier, Mr. Maxwell offered \$80 a share for Macmillan, which it rejected as inadequate. Macmillan has also rejected bids from Robert M. Bass Group Inc. Mr. Maxwell said his offer would be increased only if Macmillan made it clear which of its senior management would stay on if the bid went through and which would leave the company. The offer came in a letter to Macmillan, dated Friday, after talks between Macmillan and Mr. Maxwell on Thursday. Mr. Maxwell said in his letter that Macmillan had informed him that it was working on a leveraged buyout of the company and that if he, or anyone else tried to stop it, management would leave. The letter said that the offer, by Maxwell Communication Corp., would be withdrawn if Macmillan received a higher bid. A bidding war for Macmillan started when the Bass Group offered \$64 a share in cash for the company, which responded with a restructuring offer of its own valued at \$64.15 a share. The Bass Group sought a preliminary injunction against that restructuring and won. Subsequently, Bass raised its bid, first to \$73 a share and again to \$75 a share, only to be topped by Mr. Maxwell. The letter revealed that, though Mr. Maxwell had indicated an interest in buying the parts of the company that comprise its fast-growing information businesses for \$1.4 billion as an alternative to a full takeover, Macmillan had told him it was prepared to sell only about \$400 million to \$500 million in assets to assist it in financing a management leveraged buyout. Earlier, Mr. Maxwell had indicated he would pay \$1.1 billion for the information businesses.

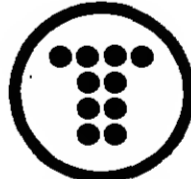
Macmillan has held talks with Kohlberg, Kravis, Roberts & Co., the investment firm, about structuring a leveraged buyout. Executives who have followed the deal believe that by raising the bid, Mr. Maxwell makes it increasingly difficult to structure a competing buyout bid. No announcement came from the Macmillan board following a meeting Saturday, leading some to conclude that no deal had been arranged. Mr. Maxwell owns no stock in Macmillan. The fact that he does not stand to benefit from pushing up the price of the stock indicated to observers that he is very serious about gaining control of the company.

GATT Reports Trend Toward More Subsidies

Agence France-Press

GENEVA — World trade in the October-March period was marked by a trend toward more subsidies to encourage farm exports, the General Agreement on Tariffs and Trade said in a report to be released Monday. The trend was especially pronounced in the European Community and the United States, the trade body said, while a drop in world prices, exacerbated by the export subsidies race, forced certain other governments to boost payments to producers. GATT noted that market access problems faced to world farm trade were reflected in the number of disputes that came before the agency during the October-March period. The report also noted that "voluntary limitations" restricting trade in steel, motor vehicles, shoes and textiles were maintained during the period.

All these securities having been sold, this announcement appears as a matter of record only.



Telefonica de España, S.A.

U.S. \$200,000,000

4 per cent. Convertible Bonds 2003

- List of financial institutions including S.G. Warburg Securities, Goldman Sachs International Corp., Amsterdam-Rotterdam Bank N.V., Banque Bruxelles Lambert S.A., Banque Indosuez, Banque Paribas Capital Markets Limited, BNP Capital Markets Limited, Credit Suisse First Boston Limited, Dresdner Bank Aktiengesellschaft, Merrill Lynch International & Co., Morgan Grenfell Securities Limited, Morgan Stanley International, The Nikko Securities Co., (Europe) Ltd., N.M. Rothschild & Sons Limited, Salomon Brothers International Limited, SBCI Swiss Bank Corporation, Shearson Lehman Hutton International, Société Générale, Union Bank of Switzerland (Securities) Limited, Julius Baer International Limited, Bank J. Vontobel & Co. AG., James Capel & Co., Cazenove & Co., Compagnie de Banque et d'Investissements, Leu Securities Limited, Lombard Odier International Underwriters S.A., Pictet International Ltd., Sarasin International Securities Limited, Swiss Volksbank, S.G. Warburg France S.A., S.G. Warburg Sodditc (Jersey) Ltd.

New International Bond Issues

Compiled by Laurence Desvillettes

Issuer	Amount (millions)	Maturity	Coupon %	Price	Price end week	Terms
FLOATING RATE NOTES						
Crédit Foncier de France	\$200	1998	1/16	100	98.00	Below 6-month Libor. Callable at par on every interest payment date. Fees 0.05%. Denominations \$250,000.
FIXED-COUPON						
Aetna Life & Casualty	\$100	1995	9%	101 1/2	99.88	Noncallable. Fees 1 1/2%.
Crédit Foncier de France	\$200	1995	9%	100 1/2	98.63	Noncallable. Fees 1 1/2%.
Eurofima	\$ 55	1990	9	101.05	—	Noncallable. Fees 1 1/2%.
Hydro Quebec	\$150	1998	9%	101 1/2	99.88	Noncallable. Fees 2%.
Marubeni U.K.	\$100	1993	9%	101 1/2	99.50	Noncallable. Fees 1 1/2%. Denominations \$10,000.
Banque Extérieure d'Algérie	DM150	1993	7	100	—	Noncallable. Fees 2%.
Bond Finance	DM175	1993	6 1/2	100 1/2	98.85	Noncallable. Fees 2%.
Lufthansa Int'l Finance	DM300	1995	6 1/4	101	100.15	Noncallable. Fees 2 1/2%.
Norddeutsche Landesbank	DM75	1993	6	101 1/2	100.25	Noncallable. Fees not disclosed.
Taylor Woodrow	£ 75	1993	11 1/2	101 1/2	—	Noncallable. Fees 1 1/2%.
Abbey National Building Society	£ 800	1993	9%	101 1/2	99.33	Noncallable. Fees 1 1/2%. Denominations £10,000.
Alzo	ECU 50	1991	7%	101 1/4	99.88	Noncallable. Fees 1 1/2%.
Copenhagen Telephone	ECU 75	1993	8	101 1/2	99.88	Noncallable. Fees 1 1/2%.
European Community	ECU 115	1992	7%	101 1/4	99.63	Noncallable. Fees 1 1/2%.
Rabobank Nederland	ECU 75	1991	7%	101 1/4	—	Noncallable. Fees 1 1/2%.
Canadian Imperial Bank of Commerce	CA 75	1991	10%	101 1/4	99.88	Noncallable. Fees 1 1/2%.
Royal Trustco Mortgage Finance	CA 75	1993	10%	101 1/4	99.75	Noncallable. Fees 1 1/2%.
Airco Australia	Aus\$ 75	1991	13%	101 1/2	100.25	Noncallable. Fees 1 1/2%. Increased from Aus\$40 million.
ASLK-CGER Ilico	¥ 10,000	1993	5 1/2	101 1/2	—	Noncallable. Fees 1 1/2%. Denominations 100 million yen.
Oesterreichische Landesbank	¥ 5,000	1992	7	101 1/2	—	Redeemable and callable in 1991, with redemption amount then and at maturity linked to the level of the Nikkei 225 stock index. Fees 1 1/2%.
Sparbank	¥ 4,000	1992	8	101 1/2	—	Redeemable and callable in 1991, with redemption amount then and at maturity linked to the level of the Nikkei 225 stock index. Fees 1 1/2%.
Toronto Dominion Bank	¥ 8,000	1992	7 1/2	101 1/2	—	Redeemable and callable in 1991, with redemption amount then and at maturity linked to the level of the Nikkei 225 stock index. Fees 1 1/2%.
EQUITY-LINKED						
Casio Computer	\$200	1992	5	100	100.13	Noncallable. Each \$10,000 note with one warrant exercisable into company's shares at 1,470 yen per share and at 134.85 yen per dollar. Fees 2 1/2%.
Furukawa	\$100	1992	5 1/2	100	101.25	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 646 yen per share and at 135.60 yen per dollar. Fees 2 1/2%.
Howa Machinery	\$ 50	1992	5 1/2	100	99.00	Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at 677 yen per share and at 137.20 yen per dollar. Fees 2 1/2%.
Marudai Food	\$100	1992	open	100	97.13	Coupon indicated at 5 1/2%. Noncallable. Each \$5,000 note with one warrant exercisable into company's shares at an expected 24 1/2% premium. Fees 2 1/2%. Terms to be set Sept. 12.
Tokai	DM110	1993	1%	100	97.00	Noncallable. Each 5,000-mark note with one warrant exercisable into company's shares at 906 yen per share and at 73.21 yen per mark. Fees 2 1/2%.

Relationships Can Still Matter More Than Profits

By Carl Gewirtz
International Herald Tribune

PARIS — Despite all the talk that the new international standards on capital adequacy rules will sharpen banks' need for profits, there is still no sign that bankers are prepared to allow low pricing to stand in the way of establishing or maintaining credit relations with clients deemed important.

Facility fees charged to establish credit lines are above the customary levels of less than 5 basis points set in 1986 and 1987, but not by much, and they show no sign of rising further. Likewise for margins — the amount over the London interbank offered rate — that borrowers agree to pay to draw the credits.

What is happening, bankers report, is that credit officers use the capital adequacy requirements as an excuse to refuse loans they have no desire to extend. But quotas about pricing do not prevent participation where maintaining relationships is considered important.

The most that can be said about the impact of the new capital ratios is that banks are more selective about which deals they choose to support. That, loan syndication officers report, makes the marketing of new transactions more difficult, but not impossible.

The current \$300 million, 10-year loan for Malaysia is a good example of what is happening. Bankers in Hong Kong report that the terms, a new low for Malaysia, were not the lowest offered. The government reportedly rejected the lowest bid to ensure the participa-

tion of a globally diversified group of banks, so that the transaction will be regarded as a benchmark financing.

Malaysia is in the enviable position of not having tapped the mar-

INTERNATIONAL CREDIT

ket during the past two years, during which time it prepaid some \$2 billion of debt outstanding. As a result, banks are hungry for Malaysian government business.

The interest on the loan is set at 1/4 point, or 1 1/2% basis points, over the London interbank offered rate for the first two years and 1/4 point over Libor for the final eight years.

The 1/4 point starting margin is narrow, and even with fairly hefty front-end fees of some 40 basis points, the total annual return to banks over the 10 years amounts to about 27 basis points, a shade below the all-in cost of 30 basis points that banks flag as their minimum lending charge.

"No one will say it's 'rich,' nor is it the cheapest Malaysia was offered," said a spokesman for the five banks named to organize the loan. The five are J.P. Morgan & Co., Industrial Bank of Japan Ltd., Long-Term Credit Bank of Japan Ltd., Bank Bumiputra Malaysia Bhd. and Societe Generale. "This is a relationship transaction," the spokesman added.

Relationships also account for the eye-popping annual facility fee of five basis points set on the \$150 million, seven-year facility for SKF AB of Sweden, arranged by Citicorp. Ditto for Plessey Co. of Britain, which is paying an annual fee of 5 1/2 basis points for a £200 million, five-year facility arranged by Barclays de Zoete Wedd Ltd.

British Airways accepted a fee of 6 1/2 basis points in return for slightly lower drawing charges than Plessey. National Westminster Bank was the lead bank for BA's £250 million, five-year facility.

Bankers agree that the yields on these facilities do not meet anyone's criteria of profitability. "There is resistance," said a London banker, "but they get done."

Where relationships are important but banks still do not want to be seen to be lending at low rates — as is the case with the Soviet Union — bilateral loans are arranged.

In the public market, the Bank of Greece is refinancing a 1986 loan on which 306.8 million Deutsche marks remains outstanding. The maturity has been extended to 1994 from 1991 and the drawing charge reduced from 1/4 point over Libor to 1/8 point for four years and 1/4 point in the final two years. The Greeks are paying a renegotiation fee of 20 basis points.

Bramalea Ltd., a Toronto-based property company, named Credit Suisse First Boston Ltd. to arrange a \$100 million, seven-year credit. Interest is set at 32 basis points over Libor and front-end fees amount to 15 basis points for banks underwriting \$15 million.

Credit Suisse First Boston is also arranging a £200 million financing for Carlton Communications PLC. The five-year financing is split

evenly between a term loan and a revolving credit.

Greyhound Financial Corp. appointed Bank of America to arrange a \$100 million, five-year credit on which the annual facility fee is 1 1/2% basis points. If drawn, interest is set at 1/4 point over Libor and front-end fees total 1 1/2% basis points for banks underwriting \$10 million.

Samir, Morocco's largest oil refinery, named Gulf International Bank to syndicate a refinancing of a letter of credit facility to finance oil imports. The government is committed to not subject this financing to rescheduling. Lenders will be paid a confirmation commission of 15 basis points, a drawing charge of 1/2 point over Libor and front-end fees of 15 basis points.

In the French market, Societe Alsacienne de Supermarche is seeking a five-year facility of 400 million French francs. It will pay an annual facility fee of 1 1/2% basis points, a drawing charge of 1 1/2% basis points over the Paris interbank rate; and a utilization fee of 3 basis points for drawing more than one-third, and 6 basis points for using more than two-thirds of the total.

Australia & New Zealand Banking Group of Australia has appointed Credit Suisse First Boston, J.P. Morgan, Swiss Bank Investment Bank and S.G. Warburg & Co. to market up to \$500 million of one- to 10-year notes denominated in U.S. or Australian dollars.

Citicorp Unit Gets Card Arm Of Failed Bank

DALLAS — Citicorp (Delaware), a subsidiary of Citicorp, has won the bid for the credit card subsidiary of the former First Republic Bank Corp., beating NCNB Corp. of Charlotte, North Carolina, which acquired the failed bank in July.

The Federal Deposit Insurance Corp. said Friday that Citicorp would pay a premium of \$158.95 million, or about 25 percent, for about \$623 million in credit card receivables of the subsidiary, Delaware Bridge Bank. The bank was created out of First Republic Bank Delaware, which was closed by regulators on Aug. 2.

The FDIC said the subsidiary has assets of about \$662 million. It said the acquisition was expected to be completed in about three weeks.

NCNB Corp. is the parent of NCNB Texas National Bank, the new name for First Republic Bank. Under the \$4 billion FDIC assistance package, NCNB committed as much as \$140 million in capital to acquire an initial 20 percent stake in the failed bank with an option to acquire the remainder at a later date.

Bearish Concerns Fail to Stop Gains AUTOS: Comeback of an Industry

NEW YORK — Prices of U.S. Treasury bonds rose last week, despite a general sentiment among participants that the market may have gone too high during a rally the previous week.

The yield on the Treasury's bellwether 9 1/2 percent bond that matures in 2018 dropped to 8.99 percent, the first close below 9 percent since early July. The price on the 30-year bond rose to 101 13/32 from 100 20/32 last week, when it returned 9.06 percent.

Among intermediate government issues, the latest 10-year notes increased in price to 102 5/32 from 101 18/32 last Friday. The yield declined to 8.92 percent from 9.01 percent.

The market reacted negatively Friday to a slightly higher than expected increase in the producer price index but recovered its losses later in the day as oil prices fell.

Wholesale prices rose 0.6 percent in August, compared with the 0.5

percent economists had expected. The Labor Department said the rise in the producer price index was largely spurred by higher energy prices and drought-driven increases in the cost of food.

But bond traders focused instead on a more modest rise of 0.3 percent in the producer price figure excluding food and energy.

The 2.2 percent rise in energy prices was discounted by many economists, who noted that oil prices had weakened recently and fell further Friday afternoon.

On the New York Mercantile Exchange, the October crude oil contract dropped 30 cents Friday, to \$14.18 a barrel. A week before, it had closed at \$14.77 a barrel, and that represented a 31-cent drop on the previous Friday.

The precious metals market also reflected the idea that inflationary pressures are subsiding, at least for

the present. On the Commodity Exchange in New York, the price of gold fell to the lowest level since March 1987, with the October futures contract trading as low as \$422 an ounce.

Short-term rates also fell last week. The federal funds rate, which is the rate banks charge each other on overnight loans, declined slightly to about 8.125 percent from 8.250 the week before.

Private taxable short-term rates were unchanged to about 10 basis points lower.

(UPI, NYT)

(Continued from first page) make cars in those numbers at a reasonable price. But when you start talking niche vehicles in the 500- to 20,000-a-year range, they don't have the flexibility to respond quickly to the market.

Unlike the major automobile companies, which invest heavily in automation to reduce labor costs, the conversion companies have very little advanced equipment and rely mostly on hand labor to make alterations. This means that most of their costs are variable, not fixed, and can be adjusted quickly as production levels vary. Since most specialty models, like the convertibles, carry high prices, the cost of the additional labor is covered.

Besides the convertibles, ASC and C&C have participated in many programs with the Big Three. ASC, which is based in Southgate, another Detroit suburb, designed and produced the Buick Regal GNX, a special high-performance model that marked the end of rear-

wheel-drive production for the GM division.

C&C made the Oldsmobile Indianapolis 500 pace cars and is scheduled to install a Ford engine and drive train in the Lanza, an Italian off-road vehicle that is similar to the British-made Range Rover truck.

Since their names are on the converted vehicles, the automobile giants have inspectors at the plants to keep an eye on quality.

Both ASC and C&C have grown from humble origins. Heinz C. Prechter, the chairman and principal owner of ASC, started out by personally installing sunroofs, which are common in his native West Germany, in American cars in the late 1960s. C&C's initial product was the T-roof.

The companies have now developed broader design and engineering capabilities and say they are ready to take the final step toward becoming true coachbuilders — assembling an automobile.

DOLLAR: Analysts Agree on Continuing Decline

(Continued from page 1) by be calmly received by both the bond and foreign-exchange markets," he said.

Simon Crane, whose Crane Investment Analysis Ltd. in London specializes in interpreting chart movements for financial institutions, called the dollar's decline last week "a natural correction," not the result of the employment statistics.

He said that speculators who joined the dollar bandwagon when the currency was trading above 1.90 DM "went long," or bought dollars, at the wrong levels, expecting the currency to continue to appreciate.

"Those long positions now look sick," he said.

Making the situation worse as these speculators sell to cut their losses is that they are selling into a market where there is not much demand.

"Real demand for dollars is not what it was three months ago," Mr. Crane said.

Two developments account for that. First is the ending of the vacation period, when North European currencies such as the Deutsche Mark were sold for dollars before being converted into Spanish pesetas, Portuguese escudos and the like.

The second element is that manufacturers outside the United States who were buying dollars as the value rose — to lock in a high exchange rate on anticipated product sales in the United States — have completed their purchases and are now out of the market.

As for the future course of the dollar, Mr. Crane remains circumspect. He sees it trading in a range of 1.70 to 1.92 DM and 129 to 138 yen. He considers 1.8375 DM and 132.80 yen important testing grounds, but for the dollar's outlook if it slides right through these levels, more optimistic if the dollar gets serious support at those levels.

At present, Mr. Crane said he had "no fear of a bandwagon" carrying the dollar back to the historic highs at the start of the year.

Not to be overlooked as a factor in the currency markets, said Roland Scharf of Hessische Landesbank, is the August rise in European interest rates that has reduced the attraction of dollar-denominated securities for continental investors.

Mr. Scharf predicted that this year's rise in the dollar — making goods priced in marks more competitive on world markets — would raise West Germany's merchandise trade surplus this year to more than \$30 billion DM (\$70 billion), well over the 105 billion DM fore-

cast at the start of the year and better than last year's 117 billion DM surplus.

The current-account surplus, measuring trade in merchandise and services, is likely to rise to 90 billion DM from the 75 billion DM initially forecast and 80 billion DM last year.

These surpluses will fuel expectations of a revaluation of the mark and, presumably, pull foreign money into West Germany.

Japanese analysts are not as sanguine on the capital inflows, at least into the Euro-DM sector, saying investors were badly burned by the lack of liquidity in the secondary market when they tried to sell holdings when the mark started falling against the dollar.

But the prospect of West Germany opening its government bond

and Credit Foncier were priced to yield 49 and 47 basis points, respectively, over Treasury paper.

Dealers agreed that there is plenty of money available for investment, but also say there is no rush to buy since investors see little chance of a dramatic decline in interest rates and remain cautious about the possibility of further increases if the expected U.S. economic slowdown does not appear.

By the same token, issuers are in no rush to tap the market as they await the possibility that a rally could drive issuing costs down.

Credit Foncier also tapped the floating-rate note market, the first quasi-sovereign floater since 1986.

Most borrowers seeking floating-rate funds prefer to issue straight bonds and swap the proceeds into very low cost floating funds — 40 to 50 basis points below the benchmark London interbank offered rate. By opting for the floating-rate note market, Credit Foncier paid a coupon of 1/16 — or 6 1/4 basis points — below the interbank bid rate, which is usually about 1/4 point below the offered rate.

In effect, Credit Foncier paid about 19 basis points below Libor for its money. In exchange, bankers said, it got a larger amount (\$200 million) than it could have via the swap market for a longer maturity (10 years) and the flexibility of cancelling the deal on any six-month interest payment date starting in 12 months. Thus the higher cost of the securities can be seen as an option payment to raise funds more cheaply if interest rates decline after next year.

Credit Foncier's \$200 million, seven-year straight bond was reportedly swapped into floating-rate Swiss francs.

The DM sector saw four new issues and dealers reported livelier foreign demand than to the renewed buoyancy of the mark. Algeria raised 150 million DM, but this was aimed at financial institutions looking for asset swaps. Norddeutsche Landesbank made a de facto private placement of 75 million DM. Lufthansa issued 300 million DM of seven-year bonds that were well received.

Bond Corp. of Australia issued 150 million DM that within hours was increased to 175 million DM thanks to the 6.44 percent yield on its five-year notes, which, critics noted, reflected the weak credit of the issuer.

Abbey National, a British building society, issued 800 million French francs of five-year paper bearing a coupon of 9 1/2 percent and priced at 101 1/2. It ended the week at a discount of 2.3 points.

Hard-Currency Savings Rise in China

BEIJING — Hard-currency deposits at the Bank of China surged in June and July as the national foreign-exchange bank boosted interest rates, the official press reported Sunday.

In a circular quoted in official newspapers, the bank said there was an average increase of \$50 million in individual savings accounts

in both June and July, \$14 million more than the average for the five previous months. Individual hard-currency deposits at the end of July totaled \$920 million, up 44 percent from a year earlier, it added.

Growth in savings was attributed to higher interest rates since early June. One-year U.S. dollar time deposits now pay 8.125 percent,

Treasury Bonds

Maturity	Close	Ask	Yield	Sept. 9
31.12.89	100 20/32	100 1/2	8.39	8.43
15.05.91	100 1/2	100 1/2	8.50	8.56
31.12.91	98 1/2	98 1/2	8.57	8.53
15.02.93	101 1/2	101 1/2	8.64	8.71
15.01.95	100 1/2	100 1/2	8.77	8.80
15.05.98	102 1/2	102 1/2	8.77	8.78
15.02.08	103 1/2	103 1/2	8.97	9.05
15.05.18	101 1/2	101 1/2	8.99	9.06

Source: Solomon Inc.



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Drexel Launches a Wide-Ranging Defense to SEC Charges

By Kurt Eichenwald

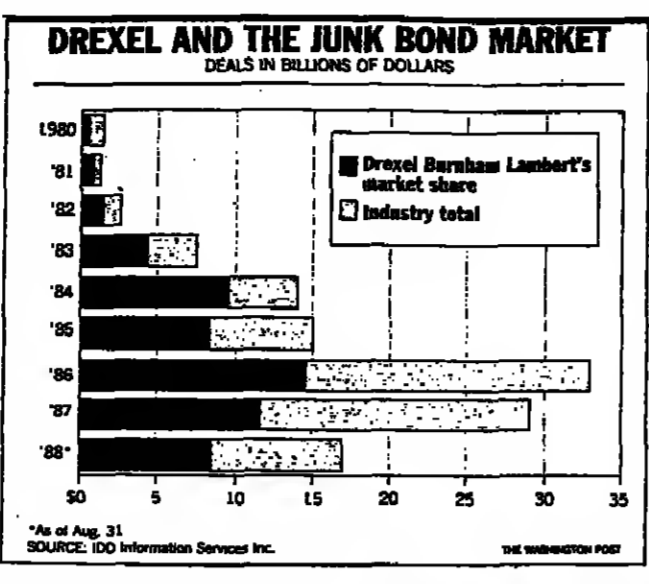
New York Times Service

NEW YORK — When officials from the Securities and Exchange Commission arrived at the federal courthouse in Manhattan to file their civil complaint against Drexel Burnham Lambert Inc. last week, they got a sample of the tenacious battle they must face.

The SEC had not told anyone the filing was going to be made Wednesday. But when the officials entered the clerk's office, they were greeted by defense lawyers from three influential law firms representing Drexel and two of its employees.

More than 15,000 letters were sent by the company to its employees and to its clients explaining the situation. Many clients who previously had been selected were called directly by top executives. T-shirts with booster slogans for Drexel were distributed to the employees.

As dawn broke on the first day after the filing, there was little change at the headquarters of Drexel in New York or its high-yield bond department in Beverly Hills. The \$150 billion junk bond market, which Drexel is widely credited with having pioneered, saw none of the drop that some had expected.



As of Aug. 31. SOURCE: IBO Information Services Inc.

pare for the moment when the case was finally filed. Drexel is reluctant to discuss its crisis plans, fearing how the government might view them. Indeed, when asked a few weeks before the filing just about aspects of the firm's public relations campaign, a spokesman for Drexel at first denied one even existed.

At the helm of Drexel's damage control effort is Frederick H. Joseph, the firm's 51-year-old, soft-spoken and gregarious chief executive, who could be described as the outgoing alter ego of the reclusive Mr. Milken.

Scott Miller, a political image consultant with ties to the Democratic party who works with the Sawyer/Miller Group in New York, was hired by the firm to help with their media. Mr. Miller was media consultant for Senator John Glenn in his unsuccessful bid for the Democratic nomination in 1984 and is now serving as an informal adviser to Michael S. Dukakis's presidential campaign.

publicity would have little effect on the business as possible. By late 1986, Drexel's top 200 officers had been shown films on crisis management, and the firm's response was well under way.

The charges against Drexel stem mostly from information provided by Ivan F. Boesky, the former arbitrator. broke itself into basically two different entities. One whose employees worked with the securities industry, and a much smaller one whose employees spent most or all of their time dealing with the firm's investigation.

WORLD STOCKS IN REVIEW / Via Agence France-Presse

Amsterdam

Prices firmed last week. Sentiment was helped by an easing of fears that interest rates would rise further as signs emerged of a slight cooling in U.S. economic growth.

Frankfurt

Stocks scored some strong gains last week, after a long pause. The Commerzbank index closed Friday at 1,491, to show an increase of 38 points on the previous Friday.

Hong Kong

The market finished the week firmer, despite mixed trading. The Hang Seng Index rose 46.67 points to close at 2,496.56 on Friday.

London

The market's direction was erratic in another week of dull trading. London Stock Exchange indices had an erratic week in what was, once again, a dull market.

Milan

Stock prices made a slight gain on the week, but volume dipped again to hit the year's lowest level. The Comit Index finished Friday at 517.45, compared with 513.48 the previous Friday.

Paris

The Bourse saw increased investment interest with the end of the summer vacation season, and prices rose slightly, but the market's mood was generally somber throughout the week, dealers said.

Zurich

Stocks moved narrowly and volume was very low, dealers said, adding that they feared this situation would continue for some time.

Singapore

The market began the week in a bullish mood of general buying and bargain-hunting, but ended on an easier note. Dealers said sentiment was depressed by lackluster trading in regional stock markets.

Tokyo

Prices on the Tokyo Stock Exchange advanced moderately last week. Dealers said that the yen's advance against the dollar helped to dispel fears of inflation and higher interest rates.

American Exchange Options table with columns for Option & price, Calls, and Puts. Includes sub-tables for American, European, and Synthetic options.

Advertisement for Robeco Geneva Account. Text: 'If you'd kept US\$ 5,000 in a 6-month dollar deposit account for the 5 years ending 31st August 1988, it would have grown by 52% to US\$ 7,600.' Includes an illustration of a man with a large dollar sign on his head.

ESORTS & GUIDES section listing various services like International Escort Service, London Kensington, and Zurich.

INTERNATIONAL CLASSIFIED section with sub-sections for Escorts & Guides, Mayfair Club, Zurich 558720, Geneva Gingers, and various travel services.

ESORTS & GUIDES section listing services like Geneva Melodie, Geneva Dany, London Marilynn, Zurich Romanna, and various travel agencies.

MONDAY SPORTS

The Biggest Games of Them All

Seoul Will Have More Sports and a Record 161 Nations

By Michael Janofsky
New York Times Service

NEW YORK — In the quiet of his office in Lausanne, Switzerland, recently, Juan Antonio Samaranch tried to recall how many countries he had visited as president of the International Olympic Committee.

The total approached the number of nations invited to the XIV Olympic Games in Seoul, and he seemed slightly embarrassed that he had not yet reached all 167.

With the opening ceremony now just five days away, the fact that Samaranch reached 160 is only slightly less amazing than the number of countries that will take part in the 16 days of competition, 161.

That is two more than belong to the United Nations and 21 more than participated in any previous Olympics. It is also why these Games have generated an exotic mix of excitement, tension and anxiety.

For the first time since the 1972 Games in Munich, nearly all the countries of the world will attend.

In 1976, black African nations boycotted the Montreal Games over a New Zealand rugby team's participation in a tournament in South Africa. In 1980, the United States and more than 50 other countries boycotted the Moscow Games to protest the presence of Soviet troops in Afghanistan. In 1984, when China participated for the first time in 32 years, the Soviet Union and 20 other nations stayed away from Los Angeles, ostensibly for security reasons. Others thought it was simply retaliation for the 1980 boycott.

It is, indeed, an ironic setting for reunification: The Korean peninsula, which has been split since the end of World War II.

But political problems aside, the Seoul Olympics promise to be an athletic and artistic delight, with the United States, the Soviet Union and East Germany expected to win the most gold medals and the most medals overall.

By every accounting, these will be the largest Games ever, with more gold medals awarded than in Los Angeles, 237 to 221, more athletes competing, 13,674 to 7,078, more sports on the program, 26 to 21, and more venues for the sports, 34 to 26.

All at a cost to the South Korean government of roughly \$3.1 billion, for venues, new highways, airport improvements, new subway lines and a cleanup of the Han-gang River, which runs through the city.

"Never," said Samaranch, "has a city done so much for the Olympic Games."

For the South Koreans, the Games represent their country's emergence into the international mainstream and a chance to do a little showing off, as Tokyo did with the 1964 Olympics.

Seoul is the world's fifth most populous city, behind Tokyo, Mexico City, Sao Paulo and New York. Its environs are rich in new development and human spirit. Give or take a student protest, its citizens have demonstrated an eagerness to play host to the world since the Games were awarded by a vote of IOC members Sept. 30, 1981.

And what a guest list it is. Most of the Soviet-bloc nations joined Moscow in boycotting the Los Angeles Games. Their presence

'Never has a city done so much for the Olympic Games.'

—Juan Antonio Samaranch IOC president

once in Seoul means the leading medal winners four years ago, the United States and West Germany, now have East German, Hungarian and Czechoslovak, as well as Soviet athletes, to deal with.

The East Germans will be especially formidable opponents. In their system, only those regarded as potential medal winners are sent to the Games. "We are not in the business of sports travel," said Volker Kluge, the spokesman for the national Olympic committee.

Soviet athletes excel in some of the same events in which Americans do well, like track and field and basketball, and in many others in which Americans are not so strong, including rowing, team handball, weight lifting and gymnastics.

But just as East-West relations have warmed in recent years, athletes from both political spheres have more to worry about than each other. Their concerns come in the varied forms of wrestlers from Iran, distance runners from Kenya, divers from China, a field hockey team from Pakistan.

In both the 1980 and 1984

Games, 25 different countries won gold medals. More are likely to share gold this time.

The United States plans to send 645 athletes, its largest Olympic team ever and largest contingent of any nation in Seoul.

As ever, the glamor events of the Games should be track and field, swimming, basketball and gymnastics. Boxing, usually a highlight, lost some of its appeal when the Cubans declined to participate.

But tennis, a medal sport for the first time since 1924, may fill the void. Many of the world's top-ranked professionals are scheduled to play in singles or doubles, including Steffi Graf and Boris Becker of West Germany, Stefan Edberg of Sweden, Natalya Zvereva of the Soviet Union and Chris Evert of the United States.

In track and field the leading medal winners will probably be the United States, the Soviet Union and East Germany, although individual stars may come from other countries as well.

Said Avitia of Morocco will be the favorite in the men's 800- and 1,500-meter races, a touch double. A slew of Kenyans, including John Ngugi, have run well this summer in the longer distances. A Mexican, Carlos Merconero, may win one of the walking races; a Bulgarian, Stefka Kostadinova, the women's high jump.

From the big three countries, the names are better known: Carl Lewis, Jackie Joyner-Kersey, Florence Griffith Joyner and Edwin Moses from the United States; Sergei Bubka and Tatjana Samolenko of the Soviet Union; Heike Drechsler and Petra Felke of East Germany.

As well as Americans may do in track and field, they may have their best showing in swimming.

Matt Biondi and Janet Evans lead a strong team that could win more than a third of the 31 gold medals awarded. Biondi has a chance to equal Mark Spitz's bonanza of 1972, seven golds. West Germans will be strong in the men's swimming events. East Germans will be strong in the women's.

The United States will also be favored in both basketball tournaments, but one needs only remember the 1987 Pan American Games to know that nothing is automatic. That American men's team was upset in the final by Brazil.

In these Games, Brazil, Yugoslavia and the Soviet Union will have

SIDELINES

Senna Is Stymied

MONZA, Italy — Gerhard Berger of Austria and Michele Alboreto of Italy gave the Ferrari team a 1-2 finish in Sunday's Italian Formula One Grand Prix, ending McLaren-Honda's winning streak.

It was Ferrari's first Grand Prix victory since 1983's Australian GP.

Ayrton Senna of Brazil, who appeared heading toward a record eighth victory in his McLaren, spun off during the next to last of the 51 laps, following a collision with Frenchman Jean Louis Schlesser, who made his Formula One debut.

Senna was left with 75 points in the world championship standings while French teammate Alain Prost, who also withdrew, remained the runner-up with 72.

Green Leads on 61

FRANKLIN, Wisconsin (AP) — Ken Green shot a course-record 11-under par 61 Saturday to hold a two-stroke lead, at 200, after three rounds of the Greater Milwaukee Open golf tournament.

Green, winner of the Canadian Open in a playoff Monday, birdied eight holes and eagled two to break the record of 62 at the 7,030-yard (6,422-meter) Tuckaway Country Club course.

Dave Barr, Friday's co-leader with Jim Gallagher Jr., was at 68-202. Next, at 69, were Donnie Hammond, off a 68, and Billy Andrade, who shot 67. Gallagher was among four at 206 after carding 72.

strong men's teams. The South Korean government remains wary of North Korea, which it holds responsible for bombing incidents within the last two years.

One occurred at Seoul's Kimpoo Airport a week before the 1986 Asian Games, leaving five people dead. In the other, a bomb exploded aboard a South Korean airliner in midflight last November and killed 115 North Korea has denied involvement in either case.

The South Koreans are also concerned about activities by members of the Japanese Red Army, a terrorist group linked to various bombings and assassinations over the last 15 years.

For those reasons and more, the security precautions during the Games will be monumental.

More than 100,000 police and military personnel, including the usual contingent of 40,000 U.S. troops, will be stationed in and



London police wrestled down a fan during an on-field scuffle at the match Saturday between Arsenal and Tottenham. See Scoreboard.

For the Record

Steve Hogg, a gold and silver cycling medalist in the 1984 Olympics, was disqualified Saturday from the 1988 U.S. Olympic team because he tested positive for a banned substance that he said was caffeine. (UPI)

Frank Robinson agreed to a year-to-year rollover of his contract that will retain him as the Baltimore Orioles' manager in 1989 and move him into an executive position when his managerial tenure ends. (UPI)

Dennis Boyd, the Boston Red Sox's veteran right-hander, will not pitch again this season because of his two recent blood clots. (AP)

UCLA Overwhelms Nebraska by 41-28

Compiled by Our Staff From Dispatches

PASADENA, California — Troy Aikman threw three touchdown passes, including two to Charles Arhuckle, as UCLA, ranked fifth in The Associated Press poll, rode a 28-point first quarter to a 41-28 thumping of second-ranked Nebraska in the Rose Bowl on Saturday night.

The victory was the 10th for Terry Donahue since he became UCLA's coach in 1976 and avenged three losses to the Cornhuskers in five years. Nebraska had scored 42 points in each of those games.

Darryl Henley's second punt return capped a 28-point first quarter. The Bruins were ahead by 28-0 after one period and 38-13 at halftime.

They scored the most points against the Cornhuskers in Tom Osborne's 16-season reign as coach.

"We were hoping we would be a little stronger and take it to them, but we just couldn't do it," he said.

Rogers 17, Michigan 13, in Lansing. Scott Erney completed 25 of 36 passes for 239 yards and two touchdowns and Doug Kokoskie made a key fumble recovery as unranked Rutgers stunned the No. 15 defending Big Ten and Rose Bowl champions.

Clemson 23, Furman 3: In Clemson, South Carolina, tailback Terry Allen rushed for two touchdowns and Chris Gardockci, a freshman, kicked three field goals for the No. 3 Tigers.

Oklahoma 28, North Carolina 6: In Chapel Hill, North Carolina, the fourth-ranked Sooners, behind the quarterback tandem of James H. Housley and Charles Thompson, rolled up 391 yards rushing and four backs scored touchdowns.

USC 24, Stanford 20: In Stanford, California, Rodney Pate, coming back strongly after an ineffective first half, rallied the sixth-ranked Trojans to victory by throwing 10 yards to flanker John Jackson with just over a minute to play, with Stanford leading 20-17. Pate engineered an 80-yard drive, completing seven of eight passes.

Auburn 20, Kentucky 10: In Auburn, Alabama, James Joseph ran for 110 yards and two touchdowns, and the seventh-ranked Tigers held off a second-half Wildcat rally.

Georgia 38, TCU 10: In Athens, Georgia, the run-oriented No. 8 Bulldogs surprised TCU with 145 yards passing in the second quarter.

U.S. COLLEGE FOOTBALL

Notre Dame 19, Michigan 17: In South Bend, Indiana, Reggie Ho, in his first game, kicked four field goals to lead the Fighting Irish, ranked 13th, past the No. 9 Wolverines.

Florida St. 49, S. Mississippi 13: In Tallahassee, Florida, Chip Ferguson passed for three touchdowns, including a 93-yarder to Miami. State came back strongly after a season-opening rout by Miami.

West Virginia 45, Wake Forest 10: In Morgantown, West Virginia, Calvin Phillips caught five passes for 190 yards and Anthony Brown and Under Johnson each scored twice for 12th-ranked West Virginia.

Alabama 37, Temple 6: In Philadelphia, Bobby Humphrey, showing no apparent side effects from two serious offseason injuries, ran for 91 yards and scored a touchdown for the 14th-ranked Crimson Tide.

South Carolina 38, Western Carolina 6: In Columbia, South Carolina, Mike Dingle, a sophomore who was starting his first game, ran for 85 yards and two touchdowns as the 16th-ranked Gamecocks overpowered Western Carolina, NCAA Division I-AA team.

Iowa 45, Kansas St. 10: In Manhattan, Kansas, Chuck Hartlieb passed for 253 yards; Brad Quast, a 240-pound (108-kilogram) line-backer, lumbered 94 yards with an interception return to tie an Iowa record. Brian Wise contributed an 81-yard interception return for the 17th-ranked Hawkeyes.

Penn St. 42, Virginia 14: In Charlottesville, Virginia, Gary Brown ran for two touchdowns and caught a 19-yard pass for a third for No. 18 Penn State, which scored 21 points in the first 9:07 of the game. Brown carried seven times for 38 yards, scoring on runs of five and 19 yards.

Washington 20, Payson 6: In West Lafayette, Indiana, senior Aaron Jenkins rushed for a career-high 162 yards on 24 carries, one a 67-yard run that set up one of two John McCallum field goals at No. 20 Washington.

Ohio State 26, Syracuse 9: In Columbus, Ohio, the Buckeyes turned mistakes into two second-quarter touchdowns and Pat O'Morrow kicked four field goals during John Cooper's debut as Buckeye coach. (AP, UPI)

ACROSS

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70 House of Lords member

71 Bring up

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WEATHER

EUROPE		ASIA		NORTH AMERICA	
C	F	C	F	C	F
Aberdeen	17	63	57	Anchorage	14
Amsterdam	17	63	57	Atlanta	14
Antwerp	17	63	57	Boston	14
Berlin	17	63	57	Chicago	14
Brussels	17	63	57	Cincinnati	14
Copenhagen	17	63	57	Dallas	14
Dublin	17	63	57	Denver	14
Edinburgh	17	63	57	Detroit	14
Frankfurt	17	63	57	Houston	14
Geneva	17	63	57	Los Angeles	14
Hamburg	17	63	57	London	14
London	17	63	57	Los Angeles	14
Madrid	17	63	57	Memphis	14
Moscow	17	63	57	Minneapolis	14
Munich	17	63	57	Montreal	14
Nairobi	17	63	57	New York	14
Paris	17	63	57	San Francisco	14
Prague	17	63	57	Seattle	14
Rome	17	63	57	Tampa	14
Stockholm	17	63	57	Washington	14
Sydney	17	63	57	Washington	14
Tokyo	17	63	57	Washington	14

DENNIS THE MENACE

9-12

"DON'T WORRY 'BOUT LOSING A TOOTH. THAT'S JUST A STARTER SET." Friday's

JUNIBBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

TUFOL

GRAVE

PANUCK

LOACCI

Answer here: A

PEANUTS

13 Symbol on a staff

19 Bound

24 Work units

26 Zulu regiment

27 Imprison

28 — Robbia, Florentine sculptor

29 Dorothy Sayers novel

30 Spotted pony lake

31 Prefix with mural

32 Wharton's

34 Different

35 Comedienna Kelly

38 Family of the founder of antiseptic surgery

41 Facility

42 U.N. vetoer's word

49 Honey ingredient

51 Observant one

52 Inquiring one

53 Theater org.

54 Italian coin

56 At the summit of

57 Prong

58 "— homo"

60 Rake

61 City on the Jumna

62 Bristle source

64 Gardener's tool

BLONDIE

BOSS, HOW DO YOU AVOID ARGUMENTS AT HOME?

IT'S SIMPLE, ANY BOY!

WHEN CORA GETS ANGRY I ASK HER TO COUNT TO TEN!

AND THAT REALLY WORKS?

BY THE TIME SHE REACHES TEN, I'M OUTTA THERE!

BEEBLE BAILEY

IS EVERYONE EXCEPT YOU KNOW WHO I AM?

I GUESS I GOTTA GO WAKE HIM UP AGAIN.

YOU MUST HATE TO DO THAT EVERY DAY.

ACTUALLY, I KINDA ENJOY IT.

DOONESBURY

LADIES AND GENTLEMEN, TRUMP PRODUCTIONS, IN ASSOCIATION WITH DONALD TRUMP PRODUCTIONS...

...IS PROUD TO ANNOUNCE A BRAND NEW TRUMP CONCEPT — THE CENTURY TO BE SEATED RIGHT HERE IN THE TRUMP PLAZA HOTEL AND CASINO!

OH... FEATURING ELVIS PRESLEY!

ANDY CAPP

HOW ABOUT YOU SAYING I'M THE BEST? I'D LOVE TO HEAR THAT!

LOOK, FLO — IF SAYING AT HOME IS SO EASY, WOULD YOU BE WILLING TO SAY IT ALWAYS? I WANT TO GO OUT WITH ME!

WIZARD of ID

RODNEY STAYS SO THIN!

FOR HIM, IT'S EASY.

HOW IS THAT?

IT TAKES THREE MEALS JUST TO KEEP HIS NOSE ALIVE!

REX MORGAN

HAVING OVERHEARD PART OF THE CONVERSATION BETWEEN VERA AND JEFFREY, HAROLD TAMPAZ ENTERS THE HOSPITAL ROOM.

I WISH YOU'D TELL JEFFREY HOW IMPORTANT IT IS FOR HIM TO STAY HERE UNTIL THE DOCTORS DIAGNOSE HIS PROBLEM, MR. TAMPAZ!

HE'S AGREED TO STAY UNTIL TOMORROW, MISS WILETT. I'M SURE THE DOCTORS WILL HAVE MADE A DIAGNOSIS BY THEN!

IF THEY HAVEN'T, THEY'LL PROBABLY ASK FOR A PSYCHIATRIC OPINION!

GARFIELD

THAT'S STRANGE. I FORGOT WHY I CAME IN HERE.

OH WELL. IT WILL OCCUR TO ME LATER.

HOPFULLY BEFORE HE GETS TO THE GROCERY STORE.

Solution to Friday's Puzzle

POSIT DOME CERIE

ALONE IREX HAIR

CLASS DIBX ARMO

KARELIA ITRIVINGS

CARPENTER

SHUT APPO IMAGO

PET JEEP LAGER

AFRICA RAG ENOLA

TACOS RAID RIT

STAMP OTIC DADE

METRONOME

TIBURON SNORKEL

AYOT NAPA CAIRO

BALE ETUI HINDU

BRED REND ANGES

Vertical text on the right edge of the page, including "COREBO" and "STANDINGS".

MONDAY SPORTS

Beats Sabatini, 6-3, 3-6, 6-1

By Peter Alfano

NEW YORK — A 19-year-old West German with a rapier forehand gave the National Tennis Center the tradition it lacked Saturday as, with the flags of the four Grand Slam countries fluttering in a strong breeze on the stadium court, Steffi Graf accepted the accolades and gifts of a tennis world that had just watched her make history in the U.S. Open.

For the first time in 18 years, tennis has a Grand Slam champion. Graf joined the exclusive club when she defeated her contemporary, Gabriela Sabatini, 18, of Argentina, 6-3, 3-6, 6-1, adding the Open to her previous titles this year in the Australian Open, French Open and Wimbledon.

Only Don Budge, Maureen Connolly, Rod Laver and Margaret Court have won the Slam. Court was the most recent, completing it in 1970, when the U.S. Open was played at Forest Hills. The Tennis Center is a much maligned byproduct of professional tennis, a place where money, not tradition, has counted most. Playing on synthetic Deco II hardcourt, which has replaced grass and red clay as the standard surface in tennis, Graf gave more than 21,000 spectators a day to remember.

After the match, she rushed to the box seats where her family was sitting, hugging her father, mother, brother and coach Pavel Skozil. Gordon Jorgensen, president of the U.S. Tennis Association, gave Graf a bracelet with four diamonds, one for each Grand Slam event. Budge, who won the Grand Slam in 1938 and is one of Graf's fans, warmly congratulated her.

The final was a tense, if not classic match, the pressure obvious in some of the tentative points.

But Sabatini also was eager for the challenge. She is ranked fifth in

the world and generally regarded as the player most likely to challenge Graf's status as the women's top player, having last March handed Graf her only two losses of the year. "I think it is great what she did," Sabatini said. "Not too many people can win a Grand Slam. She won all with much confidence. Her mentality is perfect."

Graf has lost only four matches in the last two years, playing with a consistency that belies the grueling nature of life on the tour.

Sabatini, however, has many of the same qualities that Graf brings to the court. She has an excellent topspin forehand, an ever-improving serve, and arguably a better net player. Saturday, she even varied the pace, looping some groundstrokes, making Graf supply her own power.

The difference between the two centers on Sabatini's penchant for trying her Achilles' heel, and the tendency for her mind to wander. It was just such a lapse in the third set that may have cost her this match. Graf broke Sabatini twice to win the first set, but her own service games were shaky. The rule in tennis is to slice to Graf's backhand, but Sabatini was actually hitting her own forehand with more consistency. Neither player looked as if she wanted to be caught at the net without a good reason.

So, despite the first set outcome, Sabatini felt she was very much in contention. She broke Graf in the fourth game of the next set, forcing three errors, among them one on Graf's forehand, the single most intimidating shot in women's tennis.

Graf broke back in the seventh game, hitting a slingshot forehand winner at Sabatini's feet on break point, but Sabatini displayed some resolve of her own, immediately breaking back, running down two of Graf's forehands.

She closed out the set and had the majority of fans supporting her. Anyone closely watching, however, could see that she was taking longer between points. She did not look as excited as she should.

"I knew she had to be nervous," Sabatini said, "but I just got too tired. I was trying, though. I played like I did against her in the last matches. I hit deep balls. For some moments I do it, for some I don't."

One of the moments that she didn't came in the second game of the third set. Graf broke Sabatini at love, three of the points coming on unforced errors. There was also a forehand cross-court winner by Graf, which landed on the line.

That raised her confidence, giving her some breathing room. She broke again in the sixth game, with Sabatini double-faulting on break point. There were some nervous moments when she was trying to close out the match, but when she reached Grand Slam point, Graf wished a backhand groundstroke crosscourt that almost knocked the racquet from Sabatini's hand.

Graf Wins First Grand Slam in 18 Years



As a dejected Gabriela Sabatini watched, Steffi Graf raised the trophy she received for winning the women's U.S. Open championship. That gave her a sweep of the Grand Slam tournaments this year.

position. Lendl has held for the last three years. "It means much more to win the Open," said Wilander. "But it happens that if I win the U.S. Open, that's where I'm going to be."

He never attempted to overwhelm the 33rd-ranked Cahill, whom he hadn't played before. Instead, he used a steady if unimpressive array of forehand passing shots and a service return that he rarely let seem almost automatic. In essence, he underwhelmed the young Australian player by being competent.

"In the match today there was no reason for me to try and take any risks," said Wilander.

The humid weather, he said, was largely responsible for the demise of Cahill's service game and his own fallibility from the service line. Wilander broke Cahill nine times and lost his serve five times.

"I think the reason there were so many breaks was that it was really humid and the balls were heavy," Wilander said. "He likes to kick in his serve, but nothing really happened to it, and the reason I think I lost my serve so much was that I played a bit too defensive."

Cahill grew flustered when his serve began to falter, but there was no chance of the erratic intruding on Wilander's moderate game plan.

He came to net only when absolutely necessary, a tactic that contrasted with Cahill's gallop toward the net during nearly every point.

The match won. Wilander took a ball from his pocket and slammed it into the stands, and Cahill, besieged by cameramen before the match, walked alone from the court.

Wilander said he felt simply prepared for Sunday's final despite being little threatened by Cahill. He said he intended to be more aggressive, but he refused to disclose the mixed bag of shots he expected to use. (NYT, AP)

49ers Beat Giants by 3 On Montana's Long Pass With 42 Seconds to Play

Compiled by Our Staff From Dispatches EAST RUTHERFORD, N.J. — Jerry Rice caught a 78-yard touchdown pass from Joe Montana with 42 seconds remaining in Sunday's game to give the San Francisco 49ers a 20-17 victory over the New York Giants.

Rice sprinted past cornerback Mark Collins and down the right sideline, took the pass near midfield and ran untouched to the end zone.

The Giants had gone ahead with 1:21 left when Phil McConkey's 32-yard punt set up a 15-yard touchdown pass from Phil Simms to Lionel Manuel.

The 49ers improved to 2-0 while dropping the Giants to 1-1. McConkey took Barry Helton's punt at his 47, was hit and barely kept his balance before boinging down the right sideline to the 15 with 2:00 left.

Two plays later, Manuel caught his second touchdown pass of the game, in the left side of the end zone. The 49ers came back on the second play after the kickoff on Montana's pass to Rice.

The 49ers, with Steve Young and Joe Montana each playing a half at quarterback, scored on Mike Cofer's field goal of 35 and 26 yards and Doug DuBois's one-yard dive.

Young completed 11 of 18 passes for 115 yards but lost two fumbles after sacks. He added 48 rushing yards on five carries. Montana completed 10 of 18 attempts for 148 yards.

Simms completed 21 of 37 passes for 227 yards. Redskins 30, Steelers 29: In Washington, Doug Williams passed for 430 yards, the second-highest

Wilander, Lendl Gain Men's Final

NEW YORK — Mats Wilander of Sweden, who doesn't like surprises, wasted no time Saturday in eliminating the final element of surprise from the United States Open, beating the unseeded Australian Darren Cahill, 6-4, 6-4, 6-2.

Ivan Lendl, the top-rated player in the world, dismissed Andre Agassi, the 18-year-old American who was the youngest player to advance to the men's Open semifinals, 4-6, 5-2, 6-3, 6-4. That gave Lendl the chance to win his fourth consecutive Open late Sunday afternoon.

It was the seventh time that Lendl had reached the final here in the last seven years, but he has had no success in Grand Slam events thus far this year.

As usual, he unleashed his punishing serve to stymie his opponent, but it was not until the second set that it helped him. The slow start gave the animated Agassi an unanticipated advantage in the first set, during which he roundly outlasted Lendl and broke his serve twice.

But after the teen-ager had won that set with a series of forehand drives the defending champion couldn't chase down, Lendl's experience and serve counted.

The fourth set stayed on serve until Agassi held a 40-0 lead in the 10th game. And when he hit a forehand wild, Lendl ended the 23-match winning streak during which Agassi had won his last three tournaments, for six victories this year.

The second-seeded Wilander's victory, one in which he said he took no risks, put him into the final for the second consecutive year. He lost to Lendl last year in a record match that lasted nearly five hours.

Besides that, this year's French and Australian Open winner knows that a U.S. Open triumph would give him top ranking in the world,

Upshaw's Single in 8th Breaks Tie As Indians Rally Over Red Sox, 4-2

BOSTON — Willie Upshaw's RBI single broke a tie in the eighth inning and Tom Candiotti allowed five hits in seven innings as the Cleveland Indians beat the Boston Red Sox, 4-2, on Sunday to salvage the finale of a three-day series.

Dave Clark and Joe Carter hit home runs as the Indians handed the Red Sox, leaders in the American League East, only their second loss in seven games.

Finch-hitter Terry Francona led off the eighth by beating out a single to the left of the mound against reliever Bob Stanley.

Paul Zuvella ran for Francona and took second on Alfonso Jimenez's sacrifice. Lee Smith grounded a single through the hole to right, scoring Zuvella.

The Indians added an insurance run in the ninth when Carter tripled and Mel Hall singled.

Candiotti struck out one and walked one. Doug Jones worked two innings for the save. Boston starter Wes Gardner allowed four hits in six-plus innings, but two were the homers by Dave Clark and Joe Carter.

White Sox 3, Twins 2: In Chicago, Shawn Hillegas allowed four hits in eight innings and Dave Gallagher hit a tie-breaking double with two outs in the eighth to down Minnesota.

Ozzie Guillen tripled with one out in the eighth off Bert Blyleven, who has lost four straight. Dominic Hill struck out but Gallagher lined Blyleven's first pitch down the right-field line to help Hillegas earn his first American League victory since being acquired from Los Angeles on Sept. 2.

Order 4, Blue Jays 2: In Baltimore, Dave Schatzkin survived a shaky first inning to win for the fifth time in six decisions.

Schmidt gave up hits to four of the first five batters he faced but settled down to allow just two runners in scoring position over the next six innings. Cardinals 3, Cubs 2: In the National League, in St. Louis, Orzie Smith squeezed home the go-ahead run in the seventh inning and Jose DeLeon teamed with two relievers on a three-hitter as St. Louis edged Chicago.

NFL ROUNDUP

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SCOREBOARD

FOOTBALL

CFL Standings

Table showing CFL Standings with columns for Eastern Division and Western Division, listing teams like Toronto, Montreal, and Winnipeg.

Selected College Results

Table showing Selected College Results for various conferences like Big East, Big Ten, and SEC.

Friday's and Saturday's Major League Line Scores

Table showing Major League Line Scores for various MLB teams like Toronto, Detroit, and New York.

Major League Standings

Table showing Major League Standings for various MLB teams like Boston, Detroit, and New York.

BASEBALL

DETROIT—Sent Casey Mize and Robinson Arceas, pitcher, and Chris Holles, catcher, to waivers to complete their first trade since Feb. 19.

KANSAS CITY—Purchased contract of Dave Owen, infielder, from Omaha American Association.

TEXAS—Dealt Chad Kessler, catcher, from Tulsa, Texas League, through the contract of Kevin Brown and Steve Wilson, pitchers, and Kevin Reimer, outfielder, from Tulsa.

EDMONTON—Activated Harold Smith, waterflood, from the practice roster.

OTTAWA—Activated Alfred Jenkins, quarterback, from the practice roster. Transferred Al Schuler, waterflood, to the injured list.

TORONTO—Moved Randy Ambrose, stand, from the reserve list to the practice roster.

WINNIPEG—Added Tim Jesse, running back, Jeff Jenkins, wide receiver, Willie Pears, defensive end, Ken Holley, defensive back, and Derran Yewchick, safety, to the roster. Reactivated Perry Tuttle, wide receiver, from the injured list. Reinstated Foster, wide receiver, and Leon Halbroton, offensive tackle.

NEW ENGLAND—Activated Tony Williams, defensive lineman, Paul Sean Forrest, offensive tackle, and Eric Hossfeld, linebacker, on the inactive list.

HOUSTON—Activated Jim Perryman, wide receiver, and Chris Hines, offensive tackle, and Ray Banks, wide receiver, on the inactive list.

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SUNDAY BASEBALL

DeLeon won his fifth straight, allowing three hits and two runs while striking out eight in seven innings. The Cubs have lost nine of their last 12 games.

Pinch-hitter Curt Ford started the Cardinals' seventh with a double off rookie Mike Harkey. Vince Coleman sacrificed Ford to third and Smith's squeeze bunt made it 3-2.

Rasmusen allowed just a single by Lonnie Smith with two outs in the fifth inning. Rasmusen, who walked one and struck out five, left one inning after being hit on the left wrist by a pitch from Chuck Cray.

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CONNER WINS EASILY; 8 BIDS ENTERED

SAN DIEGO — Dennis Conner won his third America's Cup in a breeze Friday, completing a 2-0 whitewash with a victory of 21 minutes, 10 seconds that will send the New Zealand challengers back to New York State Supreme Court this week for a final decision.

Conner brought his 60-foot (18-meter) catamaran home miles ahead of his huge monohull rival.

New Zealand's owner, Michael Fay, who sued twice to become challenger in a race the Americans did not want, claims America's Cup rules outlaw a match between a catamaran and a monohull.

But Saturday, a fresh breeze swept through the America's Cup arena and with it came hopes for a multinational challenge in 1991 that might ease the bitterness of this year's campaign.

Douglas Alford, commodore of the San Diego Yacht Club, said eight international yacht clubs had submitted bids for a sailoff in 1991. Among them were key campaigners of the past: Alan Bond and Iain Murray, from separate groups in Australia, and Peter de Savary of Britain.

Five countries were represented: Australia, Britain, France, Italy and Japan. It is expected that as many as 20 groups will put in their bids before the end of the 60-day time limit for filing. (NYT, AP)

TRANSITION

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AUTO RACING

ITALIAN GRAND PRIX

1. Gerhard Berger, Austria, Ferrari, 1 hour, 17 minutes, 37.74 seconds; overtake speed, 228.58 km/h.

2. Michele Alboreto, Italy, Ferrari, 83.6 km/h.

3. Eddie Cheever, U.S., Arrows-Agnoni, 35.1 km/h.

4. Derek Warwick, U.K., Arrows-Agnoni, 35.1 km/h.

5. Ivan Capelli, Italy, March-Judd, 29.5 km/h.

6. Thierry Boutsen, Belgium, Benetton-Ford, 29.5 km/h.

7. Riccardo Patrese, Italy, Williams-Judd, 1:47.8 km/h.

8. Mauricio Gugelmin, Brazil, March-Judd, 1:25.5 km/h.

9. Alessandro Nannini, Italy, Benetton-Ford, 1 km/h.

10. Driver Stalled.

11. Ayrton Senna, Brazil, McLaren-Honda, 75 points.

12. Nelson Piquet, Brazil, Williams-Judd, 75 points.

13. Gerhard Berger, Austria, Ferrari, 57 points.

14. Michele Alboreto, Italy, Ferrari, 22 points.

15. Eddie Cheever, U.S., Arrows-Agnoni, 22 points.

16. Nelson Piquet, Brazil, Lotus-Honda, 14 points.

17. Riccardo Patrese, Italy, Arrows-Agnoni, 12 points.

18. Ivan Capelli, Italy, March-Judd, 8 points.

19. Thierry Boutsen, Belgium, Benetton-Ford, 8 points.

20. Riccardo Patrese, Italy, Williams-Judd, 4 points.

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